The MAGAZINE of WALL STREET

AMERICA'S GREATEST FINANCIAL PUBLICATION

BOND BUYERS' GUIDE

R. R. BARGAIN INDICATOR

Mr. Vanderlip on War Savings

PRESIDENT NATIONAL CITY BANK AND CHAIRMAN WAR SAVINGS COMMITTEE TELLS HOW THE SMALLEST EARNER CAN HELP WIN THE WAR

The Woman Investor—Her Funds

HOW TO HANDLE THEM PROFITABLY

By Beatrice E. Carr

Right and Wrong Methods in Investment and Speculation

A NEW SERIES. Part I—MISTAKES IN CONCEPTION

By Richard D. Wyckoff

Marine's Accumulated Dividends

WILL THEIR PAYMENT END SPECULATION?

By J. G. Donley, Jr.

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THE OUTLOOK

The Fall in Bonds—Prospect for Rate Advance—Progress of the War—Liberty Bonds and Money Market—Business and Stock Market Prospects

WHILE the decline in stocks has halted, bonds continue to fall in a rather surprising way. At this writing an average of 10 high-grade railroad bonds stands close to 83, which compares with 96¾ for the same bonds last January. During the last three weeks this average has fallen three points. These are bonds on which the payment of interest and principal is considered to be assured regardless of fluctuations in earnings, and their price changes are usually narrow. That is what makes the present decline so extraordinary.

In recognition of the situation, the Controller of the Currency has instructed all National Bank examiners that they are not to require banks to charge their high grade bonds down on their books to the present abnormal figures. It is hoped that this may decrease the pressure on the bond market and may also help the money market by enabling the banks to leave undisturbed some of their outstanding loans based on such bonds as collateral.

Scarcity of Capital

THE scarcity of capital is emphasized by the weakness of the new Liberty 4s, which have sold as low as 98.10. Since these bonds are convertible into any later war bonds issued by the Government at a higher rate of interest, they ought to be for the most part proof against a decline resulting from the rising cost of capital. Presumably their interest yield will, through the conversion clause, rise roughly in proportion to any further advance in the market cost of new capital.

Evidently, therefore, it is the actual inability of many investors to buy that is causing the extreme weakness in the bond market. The big Government bond issues, the heavy taxes, the rising cost of living, and last but not least the great depreciation in all security values, have for the time being swept the investment market almost bare of buying power.

Prospect for Rate Advance

IN regard to railroad rates, one point at least has been gained. Every one now sees the acuteness of the problem and the absolute necessity of in some way strengthening the position of our transportation system.

S. Davies Warfield says that "the credit structure of the railroads has been seriously impaired and the properties are very much undermaintained." Frank A. Vanderlip says that we need "a radical change in the system, fashioned along the plan of the Federal Reserve system." Samuel Rea believes that the time has come when Government loans to the roads should be seriously considered. Paul Warburg says that in order to perform

their duties the roads must be afforded substantial relief. Controller of Currency Williams, who certainly will not be accused of any prejudice in favor of the roads, says substantially the same thing.

In the mean time, the Government's Railroad War Board is planning for an embargo on the transportation of a list of over 500 articles considered non-essential, because of the physical inability of the roads to handle all the miscellaneous traffic offered them in addition to special war demands.

For a country 3,000 miles wide and about the same distance from the field of active conflict, efficient transportation is evidently the first war necessity. Wall Street in general feels confident that the 15 per cent rate advance must be granted as a war measure, and hopes that some further aid may be extended to the roads in the matter of financing.

Russia and Italy

IT is still a question whether the fall in values has discounted the adverse events of the war in Russia and in Italy, which are almost universally taken to mean a much longer war than had been expected. Based on the rates of exchange, Russian money is now worth in this country only a little over one-fifth of its normal value and Italian money a little over one-half. These low rates are in large part due to the big issues of paper money in those countries. The Russian Imperial Bank now has about $8,000,000,000 outstanding in bank notes, against $1,161,000,000 Aug. 1, 1914. At the same time the fall in exchange reflects the very grave doubts felt in the financial community as to the future of the two countries.

There are some, however, who hold the view that German victories have little significance unless they add in some way to the economic strength of that nation, since the war has now settled down to a test of economic endurance. From this point of view only a separate peace with Russia or Italy would afford Germany any substantial relief.

Liberty Bonds and the Money Market

THE floating of $3,808,580,000 of Liberty bonds—the actual amount allotted—without a tremor in the money market shows that our Government's financial machinery is now adequate to the heaviest demands. The payment of 18 per cent which fell due last week represented $685,580,000, the largest single transfer of credit ever known in Wall Street or elsewhere. But on the same day $300,000,000 U. S. Treasury certificates of indebtedness matured, balancing nearly half of the Liberty bond payments. There is a steady increase in the use of the rediscounting facilities of the Federal Reserve system. The total of bills discounted and bought in the open market is now well towards $700,000,000. But gold reserve against notes in circulation is still 65.9 per cent, which compares with a legal requirement of 40 per cent. The Federal Reserve system contains tremendous possibilities of further inflation.

Business Conditions

THERE is increasing conservatism in business circles, although war activities keep production and distribution up to the highest notch possible under prevailing conditions as to labor and materials. There is undoubtedly some reduction in the turn-over of goods. The widespread agitation for greater economy is bringing results. About 10,000,000 persons have signed the food pledge. Theaters are complaining of poor attendance.

Scarcity and inefficiency of labor is the greatest problem and must of course continue to be, since winning the war is essentially a question of labor power. A great volume of war work is added just at the time when 2,000,000 men are under arms and another 500,000 are soon to be called. It is perfectly clear that a good deal of work of some kind will have to be left undone. Labor must be concentrated on the essentials for the war and the unessentials must be eliminated.

Wage advances continue and women are steadily drifting into employment, attracted

by higher pay and at the same time pushed by the higher cost of living. This tendency will, of course, continue throughout the war.

The Market Prospect

WITH no prospect for any let-up in the war demands for capital, it is hard to see a basis for any permanent advance in the general level of the bond market at present. There must be, necessarily, a plane of bond prices which will represent readjustment to the new situation, but he would indeed be a bold prophet who should attempt to say when that level has been reached.

Some of the uncertainties confronting the stock market have been eliminated, and this fact tends toward stability. Prices have been fixed for nearly all important commodities and in the main they are such as to afford fair profits. The excess profits tax remains to be interpreted, but its effects are now known within limits. The railroad rate question is

Prominent Bankers at the Investment Bankers' Convention in Baltimore, Md.

(Left to Right) Warren S. Hayden, Lewis B. Franklin, B. N. Freeman, J. S. Smith, W. R. Compton, Chas. W. McNear, J. N. Wright, C. L. Stacy, W. G. Baker, Jr.. Chas. H. Gilman, R. E. Field, Lawrence Chamberlain.

well on the way to a decision, with good prospects that it may be favorable. The country is becoming adjusted to the idea of a long war and is beginning to practise the necessary economies.

On the other hand, the removal of price and tax uncertainties also removes in part the inducements to speculation. Steel and copper prices, for example, are not likely to rise—unless a new price has to be fixed to meet higher costs. The very measures which have put our industries on a permanent war footing have taken the glamour out of speculation.

While the market is showing some improvement as this is written, we do not see any definite prospects of a permanently higher plane of prices. It is probable that any marked advance will result in realizing sales by those who bought at lower levels, and this would tend toward another reaction which might be accelerated in the event of a disaster on the Italian front.

—November, 20, 1917.

Should Bankers, Bond Dealers and Brokers Work for *Nothing?*

AT the price of $2.20 a bushel fixed by the Government for the 1918 wheat crop, farmers will make a profit double that of ordinary peace times. This is a minimum, not a maximum price.

For the coal operators, the steel makers, the copper miners, and others, the Government has fixed maximum, not minimum prices; but at those prices the companies can, in most cases, make profits larger than they could make under peace conditions. The fixed price for steel, for example, is double that which prevailed just before the war. And at these fixed prices the steel companies will probably make a profit of $15 to $20 a ton, even after deduction of all war taxes—a much better profit than was usually obtained in times of peace.

But how about the banking, bond and investment houses?

They are the merchants of securities. Their business has been almost paralyzed by the big Government loans, which have practically crowded other new security offerings out of the market. Yet they are expected to maintain their organizations and handle the Government bond offerings without any compensation whatsoever.

The British allow one-eighth per cent. commission for the sale of their Government bonds. The French allow one-eighth to three-eighths. Canada allows one-quarter. The United States allows no commission.

Many farmers are reported as holding back wheat in the hope of getting still higher prices than those now prevailing. The steel men endeavored to get a higher price than the Government fixed for them, although they acquiesced gracefully in the final decision. The coal operators complained bitterly of the price fixed for bituminous coal, and the price has since been raised by the Government. Some of the copper men make no secret of their belief that a higher price should be allowed for copper.

Although they are asked to do a great deal of work for nothing, the bankers and bond houses have not complained. On the contrary they have, in many instances, spent out of their own pockets thousands and thousands of dollars in order to help the loans.

Government Bond issues do not hurt the steel, coal or copper business, but they absolutely *kill* the investment industry. In time of war we must all forget our personal interests to some extent. We cannot expect the burden to be evenly distributed on all classes and all industries. If our sacrifice happens to be a little greater than the other fellow's, we must be glad that we are able to make it.

But even so, is it fair to ask the banking, bond and investment houses to maintain their expensive forces, overhead and equipment, and work for nothing, while most industries are better paid than usual, and this at a time when their own business has been almost paralyzed by the very bond issues which they are asked to handle without compensation?

No one can accuse the banking interests of lack of patriotism. Their subscriptions to the loans have been heavier in proportion to their capital than the subscriptions of almost any other class. They have worked loyally, willingly and uncomplainingly for the success of the loans.

But is it just to throw such a heavy burden on them simply because they do not complain? We do not believe that the Government is taking this position through deliberate intention, but through failure to give proper weight and consideration to all the elements of the situation.

Right and Wrong Methods of Investment and Speculation

Part 1: Mistakes in Conception

By RICHARD D. WYCKOFF

AT the beginning let us get a clear idea of the functions of Wall Street.

The financial district is a great manufacturing, wholesaling and retailing center. The product turned out by its vast machinery is securities of various kinds and descriptions. The big banking houses are the manufacturers, the syndicates are the wholesalers, and the bond and brokerage houses the retailers.

Some of the securities go directly into investors' safe deposit boxes, as soon as issued, others stay for a while in the hands of the syndicates, the bond houses and the brokerage houses, before finding permanent lodgment. Still others become "speculative footballs" of the Street until, after some years, they begin gradually to merge into the investment class.

But the point we must bear in mind is that in normal times the manufacturing goes on continuously, in order that the corporations which come to Wall Street for their supply of capital may be furnished with funds necessary to develop the country's railroad, industrial, mining and public utility enterprises, and in order that the savings banks, insurance companies, trust companies, banks, private institutions, investors and speculators may be supplied with securities of the respective cl ssifications the supply is modified and controlled largely by the factor of demand, which fluctuates with the ebb and flow of business and finance.

Wall Street's Business

The business of Wall Street naturally divides itself into two distinct channels: Investment and speculation. There are numerous branches to each of these important fields, and one of the first things the investor or the trader should learn is just where he will fit into this great financial scheme, and how he may best utilize the facilities of Wall Street to his individual advantage.

Having learned by experience gained through personal contact with a large number of those who for the past three decades have participated to a small or considerable extent in Wall Street affairs, that the majority begin operations with a wrong conception of Wall Street and its machinery, I will attempt to point out some of the mistakes in conception, preparation and practice which I have found the so-called public prone to make. And it will be my endeavor to show how a great many of these mistakes can be avoided by the practice of correct methods, or at least methods based on the elimination of faulty practices.

One of the initial mistakes, and one which leads to many failures, *is the impression under which the average novice begins operations; viz., that the business of investing and trading is "easy."*

Nothing could be more dangerous or misleading from a financial standpoint, for as a result of such a conviction the beginner is apt to plunge in on the basis of "impressions," so-called "information," snap-shot opinions, newspaper items and a hundred other false leads.

An Intricate Study

I wish to say at the outset that the business of investing and trading is one of the most intricate in the world. Engaged in it are the world's wealthiest men, as well as the shrewdest and most expert. Were it so easy, millions of people would make it their sole occupation, for there is no more inviting field from the standpoint of possible profits. But the mere fact that out of the millions of owners or speculators in securities, comparatively few become conspicuous successes in Wall Street, or even among their own circle of friends, should prove to the reader that *investing or trading in securities is a business and must be learned* like any other business, profession, art or science.

I know personally many persons who buy and sell stocks and bonds for income, for profit, and for income and profit. These people can be readily divided into two classes: Those who have learned the business and those who have not. The latter class far outnumbers the former.

One of the first things I hope to accomplish in these chapters is to impress upon my readers the absolute necessity of mastering the subject. *Stop trading, stop investing and study!* Get a foundation of knowledge. Do not proceed without it. Otherwise danger lies just ahead. Ninety-five men out of a hundred can prove this by their own past experience.

The financial district has plenty of sound and legitimate concerns, but it also teems with bucket shops, fake or crooked publications, inexperienced, ignorant and unscrupulous "brokers" and "skin games" of every variety. These are engaged in separating the public from its money. Beginners, especially those who deal in small lots of "cheap" stocks, come in droves to these concerns and by them are misled into the belief that the "investor" (as he loves to call himself) has only to do what he is told and the rest is easy. It is. But not for the investor.

This tendency to make things easy for the investor and the speculator runs through the whole fabric of Wall Street, and is the very essence of error, for by it the novice is etherized into the belief that his own judgment is secondary; there are so many other people who are willing to do his thinking for him.

The practice of letting the other fellow chew your crackers for you generally results in his getting all the nourishment.

The Flowery Road of Error

In the initial stages of every one's journey to the realm of finance, two roads stretch forth: the one apparently smooth, an easy down-grade, the banks on either side blossoming into flowers of profit. It seems as if he has only to reach out and pluck them. But suddenly a sharp curve is rounded, and before he is aware of it he is over the precipice of loss and disaster.

The other road appears difficult at the start, for time and effort are necessary to progress. But as we proceed we find it deeply interesting, and after really learning the way it becomes a very profitable road to travel. It is the road of Study and Experience. It leads to Knowledge—Success!

Which of these two roads will *you* travel?

Your first move, if you are a beginner or an "experienced failure," is to decide to suspend all operations until you find your own location on the financial map. By this I mean: First read through, then study intensively the publications which will be outlined in another chapter, then learn how you can best adapt the knowledge you have acquired. The length of time necessary to the absorption of the above will depend on what part of your daily or weekly spare time can be devoted to it. You cannot spend the time more profitably, for what you learn from the course of reading thus outlined will favorably affect your whole future business or professional career, and forecast your financial resources during the last twenty or thirty years of your life. If you have not already grasped the principles of money making, saving and investing, and you are not now willing to learn, then you will probably spend your later years (according to the law of average) dependent upon your children, or other people.

For the course to be suggested will prove valuable to you not only in your dealings in securities, but in whatever line of endeavor you are now engaged. It will enable you to see, often months and years in advance, the vast economic forces that cause prosperity one year and panic the next; that produce inflation and depression; bull and bear markets; good and bad business.

Dependence Is Weakness

The instructor, to justify his work, must educate the student to the point where instruction is no longer required. *The pupil must learn to stand on his own feet.* He must learn to judge financial conditions, analyze security values, movements, yields and possibilities for himself. *His banker or his broker should be the one to execute his buying or selling orders, not to plan his campaigns.*

Ignorance and dependence on the judgment of others is a sign of weakness, almost sure to lead to loss and to end in failure. Knowledge and the ability to decide for yourself is an indication of strength, and means income and profit.

Again I ask: Which road will *you* travel?

Assuming that you have decided to devote your spare time to this highly interesting and profitable subject, let us discuss some of the other erroneous impressions harbored by the so-called investment and speculative public. One of these is that you can make a big income on your investments and big speculative profits with a small capital.

It is true that this can be done and is done, but not in just the way the public believes. The income your money will earn with safety, runs from 4½ to 6 per cent in normal times, and from 6 per cent to 8 per cent under war time money market conditions, which prevail as this is written (November, 1917). The safety element decreases as you get above these average yields.

As for speculative profits, these should be reckoned not on the results of any single transaction, or monthly or yearly returns, but only on what you can show over a three to five year term.

Only Net Profits Count

Some people point to the five or ten thousand dollars they "made" in this or that transaction as an indication of their ability to trade successfully, but they neglect to mention the many small and large losses actually sustained and the heavy shrinkage in securities owned outright. They should remember *it is the net profits which count* in speculation or in any other business. And unless you can show these net profits over and above all commissions, interest and taxes plus losses, over three to five year periods, you are not making money.

Don't fool *yourself.*

Most people, being long-pull investors, knowing only how to make money in bull markets, find themselves way ahead at the top of a boom. *It is not what you make, but what you keep* that can be regarded as profits.

A composite of many accounts would probably show something like this: At the start, in a bull market, $5,000 credit balance. At the high prices in a boom, $15,000 credit. At the low point in a panic, $5,000 debit. In other words, all the money used as capital, plus all actual and paper profits are lost in the bear markets which follow, together with additional money that can be scraped together in the hope of saving what was in jeopardy.

Nothing is gained by making money "in spots" and then losing it again. It were better not to make it at all. *In stock speculation real success is attained only when one can make all kinds of markets pay him a profit.*

In the working out of this happy condition one finds he does not "get rich quick," but that he makes big interest on his money. He has losses, of course, but these are small compared to his profits, and the net at the end of the year is satisfactory.

A Primary Reason for Failure

Going back to the unfortunate results obtained by the average speculator, let us identify the primary reason for his failure. It is that *he does not know how, for he has not learned the business of trading in stocks.*

Can he learn it? Certainly.

I was once a lamb. I used to make all the foolish mistakes other lambs made then and are making now. Gradually I learned—it cannot be done in a day or a year.

Experience has taught me how to keep ninety per cent of what I make, and through the columns of THE MAGAZINE OF WALL STREET and its allied publications I endeavor to guide, and (people say) successfully do guide, twenty thousand investors and traders who buy or subscribe to the magazine, besides unknown thousands more who read it in banking and brokerage offices, and private homes where it is received.

So please understand that these articles are not based on theory, but on practice.

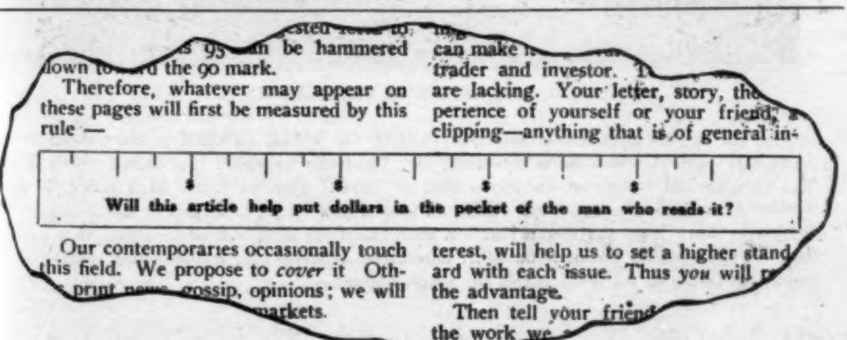
Learn the business and you become an insider. That word has been badly abused in the past. It should now mean: One who knows how.

To be an insider you must stop buying when stocks are strong. You must stop loading up at the top of a big bull market. You must buy when prices are weak. You must load up only in panics. These things have been written and said so often that they seem mere platitudes, but they are vital.

The great speculative public buys at the top. Therefore, it has no money with which to buy in the depressions. It has only stocks bought at high prices.

The insider, or experienced trader, knows he must sell when stocks are strong or he, too, will have no money to use on bargain days. By study and experience he learns to identify the extremes of price movements, as well as the intermediate swings, and to prepare for them. There are ways in which you, too, can learn to do this. Some of these ways will be described in the succeeding chapters.

(*To be continued.*)



...gested ... to ... 95 can be hammered down toward the 90 mark.

Therefore, whatever may appear on these pages will first be measured by this rule —

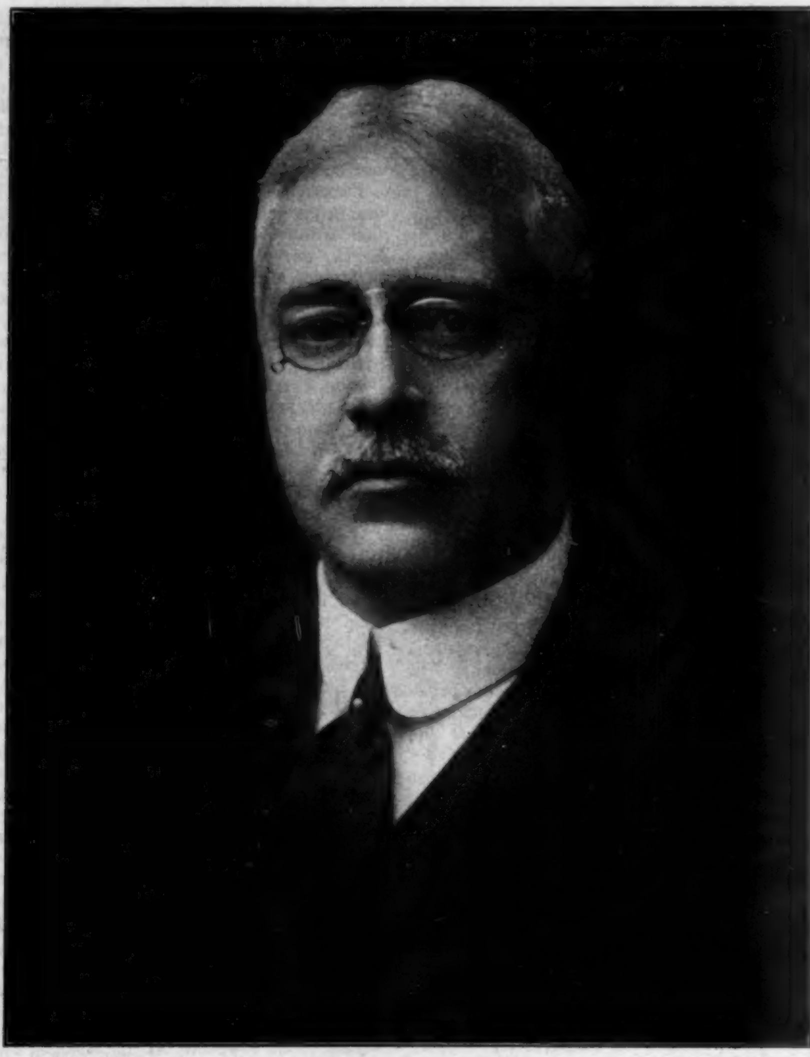
Will this article help put dollars in the pocket of the man who reads it?

Our contemporaries occasionally touch this field. We propose to *cover* it. Oth... print news, gossip, opinions; we will ... markets.

... can make ... trader and investor. ... are lacking. Your letter, story, th... perience of yourself or your friend, ... clipping—anything that is of general interest, will help us to set a higher standard with each issue. Thus *you* will ... the advantage.

Then tell your frien... the work we ...

A Fundamental Principle of The Magazine of Wall Street.—(Reproduced from Vol. 1, No. 1.)



MR. FRANK A. VANDERLIP

At our request that he tell THE MAGAZINE OF WALL STREET readers about the war savings movement which he is directing, Mr. Vanderlip prepared the article which follows. The fundamental feature of the war-savings or "thrift" plan, as it has been called, is that it enables every individual with any funds, no matter how small, to do his or her financial "bit" for Uncle Sam. Even the school children throughout the land will participate. It is expected that the totals raised through the thrift movement will run into millions and will be a very important factor in the financing of the war.—Editor.

The War-Savings Plan

National Thrift Movement to Help Win the War—The Two Kinds of Savings Stamps—How the Small Investor Can Buy Them Profitably—Interest Returns—Protection Against Loss

Written for The Magazine of Wall Street
By FRANK A. VANDERLIP
President National City Bank, and Chairman of War Savings Committee

[For the purpose of obtaining a first-hand and authoritative explanation of the national thrift movement THE MAGAZINE OF WALL STREET sent a representative to Washington to interview Mr. Vanderlip. The Chairman of the War Savings Committee who, as president of The National City Bank, is reputed to receive a salary of $100,000 a year, finds in his weekly pay envelope from Uncle Sam a sum just a little less than two cents or at the rate of $1 per annum. Mr. Vanderlip occupies quarters in the Treasury Building—Room 200—hardly larger than the cage of one of his paying tellers. The room looks out upon a cheerless stone-bound court, its blank walls are devoid of picture or decoration and the one rug which partially covers the floor, shows evidence of long and severe service. The head of the largest bank in the country sits at a rather small oak desk which at a forced sale might bring fifteen dollars—if bidding was brisk. The only thing necessary to see Mr. Vanderlip is to assure the armed attendant at the building's entrance that the caller has legitimate business in hand. Then all you do is take an elevator up two stories, walk a few steps down the corridor and open Mr. Vanderlip's door. You don't have to ask for him, for as you enter there he is, sitting but a few paces in front of you—provided you have picked a time between the numerous conferences which go on endlessly with the heads of the nation's affairs. If you are fortunate you will find only three or four persons ahead of you, and if unlucky you may have to wait in the corridor until you can find a chance to squeeze into the room. There is only one "convention" which you must observe. You must state the purpose of your visit as directly as possible and in the fewest possible words. The answer you receive will be equally pointed and brief. Mr. Vanderlip has no time for pleasing but purposeless conversation. He is giving his time and bending his unusual brains and energy to help win the war and anything that hinders or halts that purpose he regards with the greatest disfavor.

What wonder that Lord Northcliffe exclaimed in astonishment that America is devoting herself to the war with an intensity and enthusiasm unknown on the other side of the ocean.]

THE Congress of the United States on September 24, 1917, passed a bill authorizing the Secretary of the Treasury to issue War Savings Certificates and Stamps. By this method it is proposed to raise $2,000,000,000 before January 1, 1919.

Heretofore Government loans have been issued in the form of bonds, usually of large denominations. The first and second Liberty Loan Bonds were issued in as small denominations as $50, but the War Savings Stamps are to be offered in stamps of two denominations, 25 cents and $5. These are within the reach of the smallest wage earner, and by this method every one is enabled to have a share in financing the war. Having back of them the same security as Liberty Bonds, the wealth and taxing power of the Government and people of the United States, they are in reality "Little Baby Bonds." The proceeds from the sale of War Saving Stamps are to be used to meet a part of the necessary expenses of the war.

Two Kinds of Stamps

There are two kinds of stamps issued, the 25-cent Thrift Stamp, which costs the purchaser 25 cents, and the $5 War Savings Stamp, which costs $4.12 the first month and one cent more each month thereafter as long as the stamps are on sale.

The Thrift Stamp is issued for the purpose of permitting people to share in the Government loan, even though they may be able to save only a few cents at a time. With the first Thrift Stamp a folder is provided, without charge, to which the first stamp and every one bought after that should be pasted. The card holds 16 of these Thrift Stamps, and no other kind of stamp may be used.

When these 16 spaces have been filled with 25-cent stamps, representing $4 saved, the thrift card should be taken to a post office or any authorized agency for the sale of War Savings Stamps. By adding a few cents you can exchange the 16 Thrift Stamps, which do not bear interest, for a War Savings Stamp, which does bear interest at the rate of 4 per cent compounded quarterly, if the stamp is kept until January 1, 1923.

The War Savings Stamp of the issue of 1918 is a $5 obligation of the United States

Government, due January 1, 1923. The prices of the War Savings Stamps are as follows:

$4.12 in December, 1917

$4.12, January, 1918	**$4.18, July, 1918**
4.13, February, 1918	**4.19, August, 1918**
4.14, March, 1918	**4.20, September, 1918**
4.15, April, 1918	**4.21, October, 1918**
4.16, May, 1918	**4.22, November, 1918**
4.17, June, 1918	**4.23, December, 1918**

When the first War Savings Stamp is bought, a War Savings Certificate is provided free. It is a pocket-size folder on which are the spaces to paste 20 War Savings Stamps. There is a place for the name and address of the owner. When filled, it represents a Government obligation for $100, due January 1, 1923. The War Savings Certificate can only be registered at the time one or more War Savings Stamps are purchased and pasted on the certificate.

Where Sold

Thrift Stamps and War Savings Stamps are on sale at all post offices, banks and various authorized agencies. Authorized agents are appointed by the Secretary of the Treasury under the rules of the Treasury Depa^r ment. Each agent is givn a commission as an evidence of authority to sell these stamps. This commission should always be prominently displayed in the office or store where the stamps are on sale. Application blanks for appointment as agent may be obtained from money order post offices or from banks that act as agents.

There are two classes of authorized agents. Agents purchasing and holding less than $1,000 in Thrift and War Savings Stamps at any one time are known as agents of the first class, and they should purchase their supply of stamps, certificates, thrift cards and envelopes at the post office.

Agents having for sale more than $1,000 of War Savings Stamps and Thrift Stamps are agents of the second class and should get their supplies from a Federal Reserve Bank.

The Matter of Interest

Thrift Stamps bear no interest. You pay 25 cents for one and at any time you need money you can get back 25 cents, but the War Savings Stamps, if held until maturity, January 1, 1923, will bear interest at 4 per cent compounded quarterly. If it is necessary to get the money on them before that date, the holder will receive one cent a month on each stamp. These stamps will be redeemed at any money order post office on and after the date of maturity.

If the War Savings Stamps are redeemed before the date of maturity, ten days' notice must be given at the post office.

The table herewith shows the increase in value of each War Savings Stamp bought in 1918.

MONTHLY INCREASE IN VALUE OF WAR SAVINGS STAMPS.

Month	1918	1919	1920	1921	1922
January	$4.12	$4.24	$4.36	$4.48	$4.60
February	4.13	4.25	4.37	4.49	4.61
March	4.14	4.26	4.38	4.50	4.62
April	4.15	4.27	4.39	4.51	4.63
May	4.16	4.28	4.40	4.52	4.64
June	4.17	4.29	4.41	4.53	4.65
July	4.18	4.30	4.42	4.54	4.66
August	4.19	4.31	4.43	4.55	4.67
September	4.20	4.32	4.44	4.56	4.68
October	4.21	4.33	4.45	4.57	4.69
November	4.22	4.34	4.46	4.58	4.70
December	4.23	4.35	4.47	4.59	4.71
JANUARY 1, 1923					$5.00

Protection Against Loss

In order to protect the holder of War Savings Stamps from loss, each War Savings Stamp should be immediately registered upon purchasing. They may be registered at any first, second, or third class post office without cost to the holder. A registered War Savings Stamp is only payable at the post office where registered, but if the holder of a registered War Savings Stamp should move from the town where he bought his stamps and want to get his money, all he has to do is send his certificate to the post office where he registered it, give his new address, and the money will be sent to him. If a holder of a certificate loses it, he should go at once or write at once to the post office where it was registered and report the loss. The finder of a certificate is to drop it in the nearest mail box and the post office will see that it is returned to the owner, no postage is required.

Limitation of Purchase

No individual can purchase at any one time more than 20 War Savings Stamps, nor can one individual hold a total of more than 200 War Savings Stamps. If a person has already bought $5,000 of Liberty Bonds, he will be taxed according to the Act of September 24, 1917, for War Savings Stamps in excess of this amount. But he may hold tax free an aggregate of $5,000 Bonds and Certificates. These certificates are taxable upon the same basis as Liberty Bonds. Holders of small amounts are not taxed at all.

These War Savings Certificates meet the need of the wage earner for a way to save in small amounts and help his country at the same time. War Savings Stamps are the safest, surest, and soonest way to Victory.

MONEY--BANKING--BUSINESS

A Striking Suggestion for Further War Financing

Allotment of Bonds in Proportion to Wealth—Advantages of the Plan—Why It Is Quicker, Fairer and More Efficient Than Volunteer Subscriptions

By GEORGE E. BARRETT

PLUNGED into the greatest war in history, and faced with the immediate necessity of raising an immense military force, the United States adopted conscription, supplemented to some extent by the volunteer system. No one doubts that conscription is the most effective and satisfactory manner of mobilizing the man-power of the nation and the one most in accord with democratic principles.

In the mobilization of financial power, two methods are also employed—the principle of conscription represented by various forms of taxation and the volunteer plan by the flotation of government loans.

Under the present plan, therefore, our financial mobilization is limited by the sum which it is practical to raise by various forms of income and revenue taxation *plus* the amount of Government loans which can be absorbed.

Increasing Cost of War

The experience of all the countries at war is that of continually increasing costs of carrying on the struggle. In the few months that we have been at war, we have constantly been compelled to advance our estimates of the financial requirements. It is calculated that the total cost of the war to date is in the neighborhood of $100,000,000,000. In view of the accelerating rate of expenditure, however, and the fact of our entering the war in a virtual state of unpreparedness, it is estimated that we will spend $20,000,000,000 during the first year.

A great variety of taxation has been imposed to raise a part of this immense sum. The normal income tax has been doubled and income surtaxes now range from 1 per cent to 63 per cent. Taxation of corporation earnings has been tripled and excess-profits taxes imposed, ranging from 20 per cent to 60 per cent. A heavy tax is to be levied upon facilities furnished by public utilities and upon dozens of various commodities.

We have also passed through two Liberty Loan campaigns resulting in accepted subscriptions of about $6,250,000,000.

As to this voluntary contribution of capital, there are three sources from which the Government can draw funds for its war loans: first, the income of the people, second, through a shifting of capital, and third, from credit expansion.

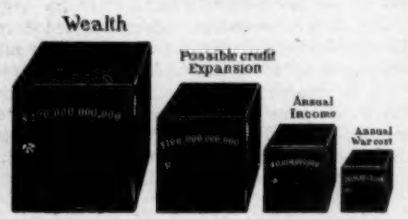
1. Income. The income of the people of the United States is estimated to be approximately $40,000,000,000 per annum. In the three year period preceding 1914 about $500,000,000 a year was invested in new securities representing new capital loaned to municipalities and corporations. Owing to greatly increased prosperity, this additional investment fund was increased to an annual rate of possibly $2,000,000,000 during the three years after the beginning of the European War. In addition possibly $3,000,000,000 to $4,000,000,000 is annually available from the income of the people for capital expenditures representing improvements to the homes, farms and small business enterprises throughout the country. The balance of the national income is expended for necessities and luxuries.

2. Shifting of Capital. Unquestionably there are people among us with available funds which they will not invest in Liberty Loans. They will, however, purchase other securities if attractive inducements are offered. Many who have marketable securities which they

would like to dispose of and place their funds in the Liberty Loan, induce those persons with capital to buy the securities from them by making an attractive offering. A shifting of capital thereby takes place, which indirectly brings the capital of those not willing to invest in the Liberty Loan to the aid of the Government. The higher rates offered on the succeeding Government loans will lead additional people to dispose of their security holdings to others, placing their funds in the Liberty Loans.

3. Credit Expansion. This is the third source from which funds are available for investment in Government loans. During the campaign for the Second Liberty Loan the leading banks throughout the country urged the borrowing of money to purchase bonds and assured the public of their willingness to cooperate in this plan. Unquestionably a large amount of Liberty Bonds were thus purchased. It is impossible to determine, however, how far the people of this country are willing to borrow in order to purchase Government obligations.

U.S.Wealth *versus* Credit Expansion



These three sources will, therefore, supplement each other in making available funds for war loans. No one can predict how much money can be subscribed to Government loans by this nation or any of the other belligerents, but it has been the general experience abroad that total subscriptions were greater with each successive loan. Germany's Seventh War Loan has just been successfully completed, raising her war debt to over 100,000,000,000 marks.

Our vast resources are scarcely touched and we can confidently take the place of Great Britain as the financial back-bone of the Allies. We can maintain a prolonged war by raising funds through the present means. But our wisest course is to adopt not a method by which we can prolong the war, but ***one by which it can be brought to a speedy and successful close by a maximum effort.*** The slow accumulation of surplus investment funds, the limitations of income and revenue taxation and a great shifting of capital at the expense of tremendous declines in all security markets obviously do not provide the maximum financial effort of which this nation is capable.

What other method is available?

How Bank Credits May Be Used

It is clear that since the great proportion of war expense must be met by the sale of Government obligations, this is the means to be considered. Since through expansion of credit the greatest source of subscriptions to Government loans is reached, it is also clear that some application of our extraordinary banking resources to the problem of the flotation of Government loans will be the most efficient means of exerting at once our maximum financial strength. As previously pointed out, this is the means employed when a purchaser of Liberty Bonds borrows the necessary funds at his bank. Thus far this has been only a limited and voluntary process.

It is here suggested that future loans be apportioned according to wealth, and that their purchase be made compulsory.

Since the greater part of wealth is in fixed form, this would involve borrowing the amount of the bonds through banks, which would extend the credit to the Government. Money would not be necessary for the payment of such tax and in fact there would not be sufficient money in the United States to make such a payment if an amount of bonds were issued equal to 10% of $250,000,000,000 capital of this country. Under the present Federal Reserve System, however, an almost unlimited credit expansion is provided for, and the mobilization of gold by the Federal Reserve Banks places this expansion on a sound basis.

Member banks are required to keep with Federal Reserve Banks reserves against time or demand deposits varying under certain conditions from 3%, 7%, 10% to 13%. The Federal Reserve Banks themselves need keep only a 35% reserve against deposits. A gold dollar in the Federal Reserve vaults will support from $30 to $40 in credit.

The Federal Reserve Banking System, including its member banks, on June 20, 1917, held legal reserve funds of $2,310,000,000. The State Banks and Trust Companies not members of the System, held even larger reserve funds. Many of these banks have since joined the System.

On the basis of 10% of capital the purchase of $25,000,000,000 of Liberty Bonds would be provided by the creation of $25,000,000,000 in credit. As an example, a man with $100,000

of capital, whether invested in securities, in business, or in property, could go to a bank and borrow $10,000. With this $10,000 credit he would purchase a $10,000 Liberty Bond, or his proportion of the issue, the bank retaining it as additional security for the loan. Under such a plan operating throughout the country, it would be possible for the Government to make its payment by drawing upon the deposits with the banks in such a manner as not to unduly disturb our financial system.

In order not to depreciate the Government obligations by forcing them onto the public in excess of demand, it could be arranged that these bonds be made non-negotiable. That is, a man would have to keep his bond acquired in this manner, receiving interest on it, which would counterbalance the interest he would have to pay on his loan at the bank, until such time after the war when these bonds could be redeemed by the Government. Obviously a man's wealth would remain the same, being increased in this example to $110,000 against a liability of $10,000.

A Democratic Plan

The plan is democratic, since it applies an equal burden to all property in the country. It corresponds to raising an army by conscription. A man does not permanently enter the army, but his funds are permanently taken away under the ordinary methods of taxation. He merely lends his services compulsorily, as under this plan he would lend his capital for a limited period.

It is more in accord with sound banking principles that the credit of the banks throughout the country be utilized in this way by the people, with their wealth as security, rather than having the banks tie up their own resources by purchase of bonds beyond their means. It is recognized as highly desirable that these loans be placed among the people of the United States rather than carried by the banks for their own account.

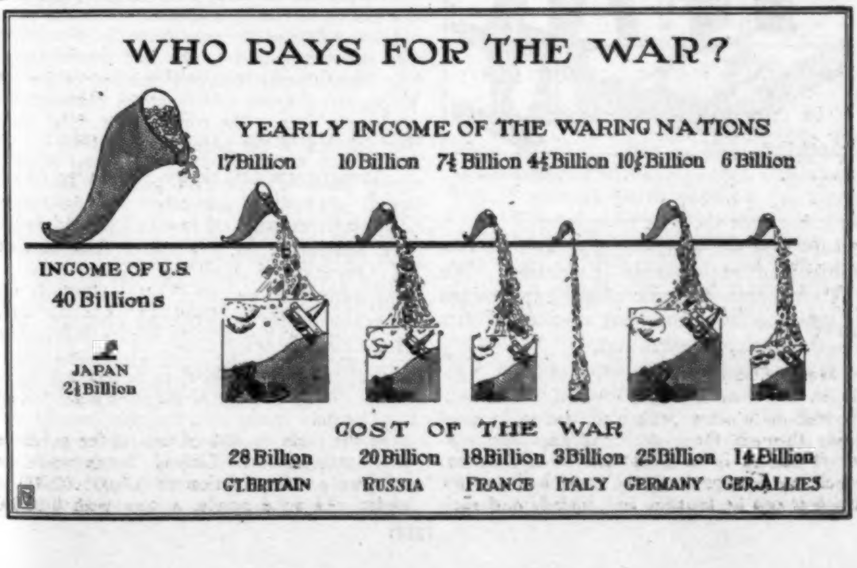
A Thrift Stimulator

This plan would also have a collateral effect greatly stimulating thrift necessary in war time and economies which would result in the payment of these loans. Experience in the case of the First Liberty Loan has already shown that practically all of the debt incurred for the purchase of these loans was paid off with extraordinary promptness. The people would in this way utilize our vast banking resources for the benefit of the Government.

It is evident that in some way the utilization of credit must, in a large measure, supplement the other means which will be employed for carrying on the war.

It cannot be definitely stated that the volunteer system would not have succeeded in raising a large army, but it could have scarcely been as effective as the compulsory mobilization of millions.

It is this principle which must be applied to our dollar mobilization in order to realize most fully our financial power and to hasten the advent of a victorious peace.



Leading Opinions

About Financial, Investment and Business Conditions

The Case of The Railroads

The railroad problem never bulked larger in the public eye than at present. Thoughtful men throughout the country admit that something must be done to restore investment confidence in the rails which will permit them to do the necessary financing. Just what action is necessary and the method of procedure is a subject of nation-wide discussion. We present herewith some recent expressions of opinion by prominent men of affairs on the railroad situation.

—New York *American*.
NO EXEMPTION HERE.

Hale Holden, president of the Chicago, Burlington & Quincy:

"Plainly, in these times the railroads must have more revenues. Railroad expenses nowadays are an open book, and the predictions made by railroad officers to the Interstate Commerce Commission last spring in the effort to obtain timely relief, failed only in that the increased cost has greatly exceeded the conservative estimates then made. These things seem to me, however, not difficult to do—and yet the doing of them adequately and in time will likely determine the success of the efforts the railroads are so earnestly putting forth to help win the war.

"We must make greater use of waterways, electric lines, and motor trucks wherever practical means can be developed, and no better time than the present can be found to make the experiment. In many parts of the country freight is interchanged in considerable volume between steam and electric lines.

Samuel Rea, president of the Pennsylvania, before the Interstate Commerce Commission:

Mr. Rea was at great pains to explain to the Commissioners that if the Government is convinced of the need of freight cars, probably 100,000 cars should be built, if the materials could be obtained at the Government prices now prevailing for structural steel, steel plates and other components of car building.

But Mr. Rea was most explicit in his explanations to the committee that it was less a question of a shortage of cars than a condition of depleted equipment generally which had created the more recent embarrassment of the railways. He expressed the opinion that there was an even graver need for locomotives than for cars. The French and Russian Governments, he said, were taking practically the entire increased output of American locomotives, despite the speed-up in production. He called attention to the fact that although the Pennsylvania Railroad had orders for 100 locomotives, these could not be obtained for at least a year. The contracts, he said, were for delivery in the latter part of 1918.

A vigorous attack by S. Davies Warfield, president of the Continental Trust Company of this city, and leading spirit of the National Association of Owners of Railroad Securities on the plan to require all railroads to operate under a Federal charter, was the chief development of the convention held at Baltimore by the Investment Bankers' Association of America.

"The plan is not one that the carriers may have the right to incorporate under a federal act," continued Mr. Warfield, "but one that will arbitrarily compel the carriers to be organized under a federal act to accomplish this, and

since no other means has been thus far shown for its accomplishment, it will be necessary for all existing interstate railroad companies organized under state charters to sell all their properties to new corporations to be organized under a federal act, changing the very fundamentals incident to present railroad existence. The plan is so sweeping as to demand the attention of every stockholder and bondholder of every railroad in the United States."

Mr. Warfield said that he was opposed to "the elimination of relations between the public service commissions of the several states and the interstate carriers. I am in favor of legislation which will co-ordinate their work with that of the Interstate Commerce Commission. It seems to me that the present state commissioners correspond pretty well to the federal reserve plan, sitting in their respective states and supported by their states, and that their people should have a place of appeal near home, which is the very quintessence of home rule, and the protection of the rights of the states for those who believe in the doctrine of state rights."

Nathan L. Amster:

"The general attitude of the Interstate Commerce Commission and other public officials in Washington has greatly changed in favor of the railroads. It is the first time that they have apparently realized that the railroads have not been receiving the same treatment as other industries of the country, either from the Government or the public.

"They have finally awakened to the fact that transportation is a commodity into which enters labor, fuel and supplies, and that these items have increased in price from 25% to 100%. They have come to appreciate the fact that transportation cannot be sold to the public at the price it has been selling for the past ten years."

Clifford Thorne, representing livestock, grain and oil shippers before the Interstate Commerce Commission in the reopened 15 per cent. rate case, made public a letter to John Skelton Williams, Controller of the Currency, taking issue with a recent statement by the Controller supporting the efforts of the railroads to obtain higher rates.

"Representative railroad securities as a class have declined in value at a less rate than those of industrials, public utilities or even bonds of the United States Government. There is a world-wide financial situation that has affected the borrowing power of all men and of all nations. The decline in security values is not due to inadequate railroad credit or inadequate railroad earnings. It is due to the war. You must know that part to be true.

"This great human catastrophe that is paralyzing so many manufacturing and industrial enterprises not directly connected with the making of war munitions, has entirely failed to injure our railroads, for the record, when completed, will show that the railroads during the last two years, while this great struggle has been waging, have prospered better than during any other year since the steam engine was invented."

Replying to Mr. Thorne's letter, Controller Williams said, in part:

"This attorney in his open letter urges that 'last year' certain 'Eastern' railroads as a whole earned so much on their capital stock, and although the figures were available to him, he omits to state that for the current year these same roads have shown an enormous shrinkage in their net earnings, and that some of them are now threatened with insolvency and are scarcely earning enough to meet fixed charges.

"He also says the 'war has entirely failed to injure our railroads,' although he presumably knows that as a direct and immediate result of the war these roads are being required at this time to pay 100 per cent. more for their coal and 100 per cent. more for many other materials used in their operation, including steel and iron products, and that there has been little or no increase in the rates they are allowed to charge."

—*Financial America.*

A SIGN OF THE TIMES.

F. D. Underwood, president of the Erie Railroad, in his argument for an advance in eastern freight rates before the Interstate Commerce Commission and speaking for his own company, said:

"The return on the property investment of the Erie Railroad was 2.88 per cent. for the year ending June 30, 1917, as compared with 4.86 per cent. in 1916. Upon that showing—which is the crux of all of it—it is vain to expect buyers for railroad securities. These results admit of no argument."

In a statement submitted to the Interstate Commerce Commission concerning the current plea of the railroads in Eastern territory for higher freight rates to

—Louisville *Times*.

HOW COAL HAS COME DOWN.

offset the increasing costs of operation, A. H. Smith, president of the New York Central, says that for the six years up to and including 1916 his company had to pay out of every dollar earned 70 cents for operating expenses.

Of this 70 cents about 42 cents were paid for labor and 28 cents were spent for materials and supplies. In the last year there has come an increase of 11 per cent. in wages. Prices of materials have increased 50 per cent.

"Other things remaining the same," asserts the head of the New York Central system, "labor and materials, on the basis of average conditions, would now absorb 88 6-10 cents of each dollar. With such an increase in operating costs, is it not plain that if a road is now to earn the money for its fixed charges and taxes it would have to carry more than double its volume of traffic without any increase in its plant investment?"

Drawing attention to the increased cost of capital in connection with the financing of railroads, James Speyer, head of the banking house of Speyer & Co., urges that railroad heads make clear to the people of the United States the actual conditions that confront the transportation companies.

"I do not know whether the people are quite aware of what is happening in railroad securities; what has happened in the last year or two. The depreciation in railroad securities since the first of January until a month ago—railroad securities listed on the New York Stock Exchange—has amounted to over $1,400,000,000. During this one month it has increased very considerably.

"At the beginning of the war there were eighteen railroad stocks listed on the Exchange, which sold enough above par to enable the railroads to finance by the issue of common stock. That number has shrunk to eight."

Warns Against Banking Inflation

With a warning that inflation already has begun, A. C. Miller, member of the Federal Reserve Board, told the National Conference on Financing the War at Philadelphia that American business must not undertake to carry the war as an "extra," but must exercise the vision and imagination necessary to see the great changes in economic organization essential to victory.

Summing up his survey of this situation, Mr. Miller reached these conclusions:

"The ultimate terms of our war financing must be, not money, but what money will buy.

"Vast as our proposed expenditures and advances are, there is reason to believe that they can be met without the use of any doubtful or wasteful expedients of finance.

"Any attempt to carry the war as an extra would pave the way for an abuse of loans and a certain inflation of credit and prices which in the end would increase the probable cost of the war by as much as 25 per cent.

"Government bond issues to be safe must be bottomed on real savings. Intensive and

discriminated savings and methods of promoting thrift are necessary ingredients in any effective program of war finance."

Washington Can Stop Liquidation

Wall Street has looked in vain to Washington for action which would stop the liquidation. Bankers are unanimous in the belief that the Washington authorities alone can put an end to indiscriminate selling. A leading banker summarizes the present situation for *Dow, Jones & Co.* as follows:

"There are just three things which the country wants from Washington. First, definite announcement that the railroads will get a substantial increase in freight rates. Second, assurance that the 1918 program for raising money will not call for increases in either the income or corporation taxes. Third, assurance that the next Government financing will be through short-term Treasury notes, a practice followed with success in Great Britain, and not through another long-term bond issue. One of the worst influences affecting the present market is the assertion made by a Washington official just before the second Liberty Loan was out of the way, that the Government was laying plans for a third war loan.

"Business conditions are sound, but the public is alarmed because assurance of these sound conditions is not forthcoming from the highest authorities of the country. The only thing the Government has done to stop liquidation was contained in the statement of the Comptroller of the Currency that national banks need not mark down securities held for collateral to the quotations ruling in the open market. This announcement did not fill the needs of the hour."

T. P. Shonts on N. Y. Traction

Pres. Shonts, of Interborough Rapid Transit Co., issues the following statement regarding the decline in traction issues: "My attention has been called to rather heavy selling of traction and utility stocks, presumably in case of the former on the theory of municipal operation.

"There can be no municipal operation of Interborough lines except under terms of our contract with the city.

"The title to all subways in New York, those in operation and those in process of construction, now rests in the city of New York. The Interborough is only a tenant operating under a lease.

"Under terms of this lease the city cannot take over the existing subways as a whole until expiration of the lease fifty years hence, nor the new subways now building until at least ten years after they are completed and put into operation, and then only on a remunerative basis, the formula for which is stated in the lease.

"As the city's partner the Interborough is now and always has faithfully carried out all its contractual obligations and expects to continue so to do.

"Present earnings are greatly in excess of original estimates, and unless the growth of New York city should go below its former average of increase, these earnings should continue to grow faster than our estimates."

—*Saturday Evening Post.*
SPEAKING OF WONDERFUL WAR INVENTIONS!

Roads to Cut Non-Essential Hauls

Denial of rail transportation to more than 500 commodities classed as non-essential has been recommended to the Government by the Railroad War Board. At the same time the board put out a statement declaring the country's railroads at the present rate of increase in traffic will be unable to meet the demands that will be made on them this winter.

The commodities included in the recommendation were not made public.

"Both the public and the management of the railroads must courageously face the fact," said the statement, written by Fairfax Harri-

son, chairman of the board, "that under the trying conditions which will develop this winter it probably will become impossible for the carriers to handle all the traffic."

Banking and Brokerage Opinions

Mechanics & Metals National Bank (N. Y.).—It is hardly to be expected that there will be another formal long-term bond offering by the Government until well along in next year. War needs are taken care of for a number of months ahead by the second Liberty Loan, and by the taxes that have been imposed by Congress. Beyond the income from these sources, there is the plan, shortly to be launched, by which the public may purchase so-called War Savings Certificates. Authorized up to an amount of two billion dollars, we understand these certificates are to be offered broadcast at a price of $4.12.

It is not at all impossible that if the certificate plan be a success—and there is every reason to expect it will be—the big bond offerings by the Treasury will be splendidly supplemented in the future. Financing of this kind cannot, of course, carry along the war in its entirety, but as a bridge between long-term loans it should have large success in the United States, through reaching the savings of people who could never be reached with bonds. The plan is not in any respect a new expedient in war finance; it has been extensively and effectively applied in France, and in Great Britain has been so popular that it is now being carried on in a new and more ambitious form.

Moore, Leonard & Lynch.—There are still so many uncertainties in the present situation that the immediate trend of the market will probably largely depend on the nature of the news that will be received within the next few weeks. The proposed rate increase, the Italian siuation, the developments in Russia and the future taxation program of the Government are the questions that Wall Street is concerning itself with most at the moment.

As to values there is no question but that investors' paradise is here. High grade railroad stocks such as Atchison, Southern Pacific, Illinois Central, Louisville & Nashville, Union Pacific, Northern Pacific are selling at prices that would not have been believed possible a few months ago. Remarkable investment opportunities also exist in high grade industrial preferred stocks, where a yield of from 7 to 8 per cent can be obtained with reasonable safety.

J. S. Bache & Co.—Low levels in the price list still furnish remarkable and unusual opportunities for investment.

The purchase of such securities with idle funds at this time appears advisable, and investors are urged to disregard the sentiment of pessimism which pervades the markets, to recognize the actual values which exist, and to act accordingly.

Liquidation in volume was brought about by consideration of the great responsibilities being undertaken by the Nation in the prosecution of a probably long war. Readjustment has been pretty well effected, and in the process prices have declined in some instances far below value. Liquidation in spots still accompanies the day-to-day movements, but does not now materially affect levels, and the market has become more susceptible to good news than bad. Irregularity and dullness is to be expected for a time, but genuine investment should not be delayed.

Knauth, Nachod & Kuhne.—The liquidation of the past four weeks in high-grade securities on the New York Stock Exchange has been as remarkable as any similar movement of the sort since the world war began.

It is apparent, however, that this sensational decline in prices reflected bona fide liquidation by real holders of securities. Among their motives was unquestionably the natural one to provide themselves with funds with which to make large subscriptions to the Second Liberty Loan and also the necessity of raising funds with which to meet the very burdensome tax payments provided for under the provisions of the war revenue act. It is evident that this selling did not reflect well-grounded fears that present dividends would be stopped in the near future. All this liquidation, both in bonds and in stocks, has reflected the inevitable adjustment of security prices to world-wide credit conditions and the complications which must result from the effort to finance the outlays incident to the carrying on of a most destructive war.

Hayden, Stone & Co.—Probably the question most frequently asked during these anxious weeks of liquidation is, "What can take place that will stop this flood of selling" Aside from the basic influence of the destruction of wealth and increasing cost of capital, the two factors immediately responsible for this liquidation, in our opinion,, are: first, the reverses of the Allied army abroad; and, secondly, the very heavy burden laid on property and production. The first is obviously beyond our control; the second is not altogether so. Not that a very heavy burden is not necessary, or that business interests in any sense shrink from the great sacrifices that must be made, but there is, undoubtedly, a feeling that property and producing interests should not be made to bear the whole financial burden.

The Business Situation

Growing Importance of Federal Banks—New Records in Prices and Clearings

IN the monthly table below we are quoting call money at New York in place of the rates of foreign banks, since the latter have been so long stabilized as to have for the most part lost their significance. We are also substituting the condition of the Federal Reserve Banks for that of the New York Clearing House institutions. With the great increase in rediscounting since the war loans were issued, the per cent of reserves of the Federal Banks begins to afford some guide to the situation. On the other hand, since the New York banks are now required to keep cash only for till money, their per cent of cash reserve has little real significance; and because of the big Government deposits and the war changes in banking, the ratio of loans to deposits is now a doubtful guide.

The law requires the Federal Banks to hold 40% gold against Federal Reserve notes and 35% cash against net deposits. It will be noted that reserves are still far above these requirements, but that the gold reserve against notes has been steadily falling because of the increased issues of these notes through the rediscounting process and against bonds. The system still has great further possibilities of credit expansion and it is chiefly for that reason that money rates remain below 6%.

There are no new tendencies in the general business situation. New high records have been set for the level of commodity prices both here and in England, and it is not surprising that these are accompanied by record bank clearings. We continue to lose small amounts of gold through exports, and our excess of merchandise exports over imports is smaller than a year ago because of the scarcity of ocean tonnage. The very small failures show that business in general is prosperous. The prices of copper and iron are now on a fixed basis. A large part of the present activity represents Government operations. Private enterprise is probably somewhat less active than last spring.

	Money Rate—Prime Commercial Paper, New York.	Call Money Rate at New York.	Federal Banks.* Cash Res. on Net Deposits.	Federal Banks.* Gold Res. on F. R. Notes.	Bradstreet's Index of Commodity Prices.	English Index of Commodity Prices.
Nov., 1917	5½%	4%	70.8%	67.3%	17.07	5,701
Oct., 1917	5⅝	4	73.7	75.7	16.91	5,634
Sept., 1917	5⅜	4⅞	78.8	82.2	16.64	5,658
Nov., 1916	3½	2⅛	†77.4	†91.7	12.79	4,596
" 1915	3⅛	1⅞	‡78.6	‡82.8	10.37	3,371
" 1914	5⅞	5⅛	§60.6	§94.4	8.86	2,732
" 1913	5¼	4	....	....	9.22	2,684

*About middle of month named. †Aug., 1917. ‡July, 1917. §June, 1917.

	Total Bank Clearings of U. S. (Millions).	Bank Clearings of U. S. Excluding N. Y. City (Millions).	Balance of Gold Movements—Imports or Exports (Thousands).	Balance of Trade—Imports or Exports (Thousands).	Building Operations, Twenty Cities (Thousands).	Business Failures Total Liabilities (Thousands).
Oct., 1917	28,255	12,531	....	....	*28,000	13,065
Sept., 1917	24,026	10,142	Exp. 27,160	Exp. 220,004	29,199	11,100
Oct., 1916	25,612	9,901	Imp. 90,455	Exp. 314,155	56,307	11,174
" 1915	20,152	7,412	Imp. 76,730	Exp. 186,979	43,840	21.104
" 1914	11,735	6,126	Exp. 44,356	Exp. 56,630	31,103	26,641
" 1913	15,720	7,026	Imp. 4,907	Exp. 138,912	36,557	20,651

*Estimated.

	U. S. Steel Unfilled Orders* (Thousands).	Wholesale Price of Pig Iron.†	Production of Iron (Tons) (Thousands).	Price of Electro. Copper Cents.	Crop Conditions. Winter Wheat.	Crop Conditions. Spring Wheat.	Crop Conditions. Corn.	Crop Conditions. Cotton.
Nov. 1917	.....	35.90	.....	23.5	...	....	....	....
Oct., 1917	9,009	.....	3,303	23.5	...	....	75.9	....
Sept., 1917	9,833	49.90	3,134	26.0	...	71.2	76.7	60.4
Nov., 1916	‡10,015	22.40	‡3,509	32.2	...	§48.6	†71.5	§56.3
" 1915	‡6,165	16.15	‡3,125	18.9	...	§94.6	‡79.7	§60.8
" 1914	‡3,461	12.90	‡1,778	11.7	...	§68.0	‡72.9	§73.5
" 1913	‡4,513	13.87	‡2,546	15.2	...	§75.3	‡65.3	§64.1

*Last day of mo. †No. 2 Southern at Cincinnati. ‡October. §September.

Crucible's Past and Present

Where Is the 200% on Its Common Stock?—Recent Large Margins of Profit Misleading—What May Be Expected for the Future—Stock's Intrinsic Value and Investment Position

By MALCOLM B. ARMSTRONG

DISILLUSION is probably the most severe shock in the "seven stages" of a man's life. From the days when our knowing little chum confidentially whispers that Santa Claus is a myth down to the discovery that our political hero has feet of clay, we have seen our pet theories exploded, our dreams vanish and our castles crumble. Nowhere is the process of illusion so prevalent as in the stock market. Speculative imagination is fanned into a white hot flame by rumors conjured by the investor himself or carefully conjured for him by enterprising manipulators. Equally violent is the disillusion that usually follows.

Too numerous to mention have been the disappointments during the last year. The oft repeated lesson comes regularly; just because one company makes phenomenal profits in one line of business it does not follow that every concern will share the same fortune. Investors will never learn this truism. As a rule they will not take the trouble to go behind gilded rumors to ascertain the real facts—result, severe losses, vanished profits.

The latest bubble to burst is Crucible. Gone are the estimated profits of 200 per cent. on the common, gone are the rumored mergers with Bethlehem Steel, gone are the Schwab purchases for control, gone, in fact, is everything of extraordinary nature in regard to Crucible, and we have left nothing but a company, strengthened by increased earnings to a normal degree, but far from the position expected of it from enthusiastic "investors for profit."

The columns of THE MAGAZINE OF WALL STREET have contained repeated warnings against over-enthusiasm toward Crucible Steel. In an article on the company in the November 25, 1916, issue, when speculation in its shares were at its height the writer clearly pointed out the speculative position of Crucible's stocks and warned against the inevitable reaction. The question to consider now is the probable status of Crucible from now on, the intrinsic worth of its shares, their approximate selling price for the remainder of the war and their status on a peace basis.

Before the War and Now

Before the war the Crucible Steel Company of America was one of the many minor steel concerns that never made good, nor did it seem likely that it ever would. A manufacturer of high grade specialty steel, of use primarily in the manufacture of ordnance or special tools, found the demand for its products exceedingly small.

From the time of its incorporation up until the 1916 fiscal year a hard struggle ensued to keep its head above water. The company was incorporated in 1900 as a consolidation of thirteen small steel concerns manufacturing crucible steel almost exclusively. From time to time the company acquired additional properties, including coke and coal concerns necessary for the maintenance of a large steel organization. Its plants as they now stand are located at Pittsburgh and Midland, Pa.; Canton, Ohio; Syracuse, N. Y.; Newark, N. J., and Norwalk, Ohio. A practical monopoly on the crucible or open hearth steel and iron is held by the present concern, with an output estimated to represent about 95 per cent. of the crucible steel products in the United States.

With the advent of the great conflict in 1914 came prosperity for Crucible Steel. From 1907 through the fiscal year of 1914 a varied and ragged showing was made. The best year up to 1916 was 1913, when 12.84 per cent. was shown on the common stock. Previous to that earnings averaged around 5 per cent. on the common shares. In two years, 1908 and 1914, a deficit of about $750,000 was reported. In 1915, however, signs of a remarkable business era were apparent. Speculation in the common stock started soon after the market opened and was carried on all through the big bull market in 1915.

When the report for that year was published, however, the keenest disappointment was felt, as only 5.39 per cent. was shown on

the common stock. Nobody could figure out why Crucible made such a poor showing in the face of the remarkable earnings of other companies engaged in the munition business.

The answer is easy to find. When the war broke out Crucible's plants were in extraordinarily poor condition. The 1915 fiscal year had almost passed before the company was in shape to turn out its orders on anything like a large scale. Besides this many of the contracts given in 1915 could not be completed before some time in 1916, and therefore the profits showed on the 1916 statement only. Hence when estimates are made of Crucible's earnings during these two years, much more should be allowed for net in 1915 and a corresponding amount deducted from the report in 1916. In the 1915 year a total income of only $4,212,595 was shown, a normal amount for Crucible Steel, considering its back record. Its depreciation fund was about the same as usual and a net income of only $3,073,750 was shown. From this report it would seem that Crucible was not going to do anything more than usual despite abnormal conditions.

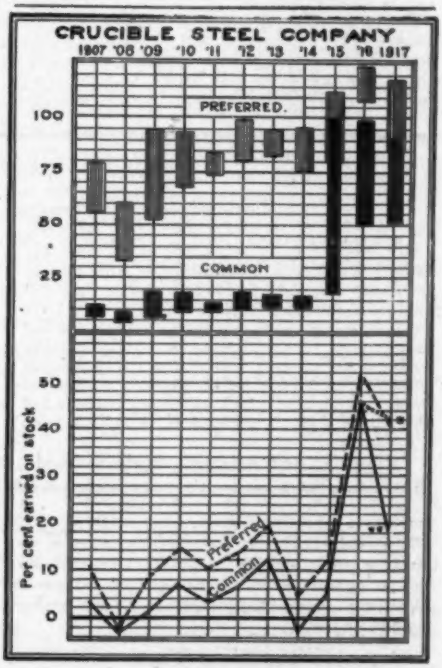
Crucible's Prosperity

Then came the banner year with its plants in workable shape and its organization greatly improved; Crucible was able to finish the year with extraordinary profits. Its total income was multiplied by four and its net was four and a quarter times the previous year. $2,709,-810 was written off for depreciation and contingencies against $504,733 the preceding year. After paying 8½ per cent. dividends on the preferred stock, amounting to $2,125,000, a surplus for the year of $11,098,655 and 45.89 per cent. on the common stock was earned, after allowing for the regular 7 per cent. on the preferred.

At the end of that remarkable year stockholders looked for an immediate clearing up of back dividends on the preferred stock, which at that time (August 31, 1916) was 23¼ per cent. in arrears, and some went so far as to expect a dividend policy on the common to be announced. Much to their surprise, but in keeping with good management, the directors decided to appropriate all the earnings, after the 8½ per cent. on the preferred, for improvements and betterments. In addition to this they charged off approximately $4,000,000 more out of accumulated surplus for the same purpose. Hence, the report for the year showed a total profit and loss surplus of $6,543,606 as against $10,444,951 in 1915. A résumé of the balance sheet for that year is interesting in that it shows just how the approximately $15,000,000 was spent. Inventories showed an increase of $3,519,803; receivables increased $6,550,000, and the total increase in current assets was over $10,000,000. New properties cost approximately $3,000,000, and other improvements, such as additions to plant, rearrangement and installation of new machinery, made up the balance.

What Happened in 1917

After the situation was explained to stockholders they were satisfied in the assurance that with all the improvements made earning power would increase correspondingly. During the year the stock experienced wide fluctuations. Estimates of earnings ran into untold figures and it was by no means uncommon talk that 200 per cent. would be earned in the common stock of the Crucible Steel. Here is where the bubble burst. With all its improvements and with all its increased facilities the current statement reported over $1,000,000 less in net earnings for the fiscal year ended August 31. Total profits for the year were $16,161,236 as against $16,528,748 for the previous year. Repairs and depreciation were marked up almost $1,500,000 so that net profits were actually $12,282,357 against $13,223,655.



*Earned on common in 1917 after regular 7% div. requirement on pref.

**Earned on common in 1917 after allowing for 32½% divs. paid on pref.

However, $7,562,500 in preferred dividends was paid against $2,125,000 for 1916. The large item of preferred dividends marks the clearing up of all arrears on this stock. The actual surplus, therefore, was only $4,719,857 as against $11,098,655 for the 1916 year. Hence the amount left for the common stock was only $18.88 a share.

It is unfair to compare the $18.88 a share with the $45.89 returned last year because of extraordinarily large sums paid out in preferred dividends. What should be brought out, though, is that earnings do not show anywhere near the increase that was expected. It must be remembered also that the year just past does not take into consideration the slump that the steel companies are now experiencing because of our entrance into the war, simply because the orders the Crucible Steel had were on the books and represent the most profitable period in the munition war be prolonged any great length of time.

Weighing carefully all the factors that go into the making of the future it would seem that Crucible, while better off than before, is not likely to startle the world with its profits even while the war lasts and allowing for increased asset valuations.

A return of 18 per cent. is probably the maximum figure that will be obtained from now on. Taking that percentage as an arbitrary figure, Crucible common in peace times sold at about twice its earning power and now (because of increased property valuation) should be entitled to sell at three times its earnings on the common. Hence a fair price for Crucible while the war lasts should be between 50 and 60, and that is a liberal valuation.

A ten-year average of earning power shows about 14 per cent. on the preferred stock and 7½ per cent. on the common. There is no foundation for the belief that Crucible will be able to maintain a permanent increase in net when the world comes to its senses, simply because the present demand for steel of all kinds is abnormal and the demand for Crucible's products in particular is especially exceptional. To allay criticism, however, we shall grant an average income of 10 per cent. for a few years after the war, and at that we find Crucible's common worth little more than between 30 and 50.

CRUCIBLE'S PAST AT A GLANCE

	Total Income	Repairs and Depreciation	Net Profits	Pfd. Dividends	Surplus
1907	$2,672,160	$125,000	$2,547,160	$1,466,190	$1,080,970
1908	139,206	649,231	†520,025	244,365	†764,390
1909	2,223,261	208,335	2,014,926	549,821	1,465,105
1910	4,122,257	572,912	3,525,882	1,802,192	1,723,690
1911	3,361,744	631,978	2,557,518	1,730,277	827,241
1912	4,327,537	655,864	3,424,996	1,750,000	1,674,996
1913	5,924,967	718,595	4,905,886	1,750,000	3,155,886
1914	2,017,952	393,426	1,015,039	1,750,000	†734,961
1915	4,212,595	504,733	3,073,750	....	3,073,750
1916	16,528,748	1,915,240	13,223,655	2,125,000	11,098,655
1917	16,161,236	3,375,000	12,282,357	*7,562,500	4,719,857

*Regular and deferred dividends paid. †Deficit.

business with the Allies. One might turn to the balance sheet for consolation, but will find there a profit and loss surplus of only $6,263,464 as against $6,543,603 for the previous year. Working capital only shows a few million dollars increase.

Crucible's Worth

There can be little doubt that the heyday of profits for munition makers has passed. While its plants will be worked to capacity, filling the heavy demands of our Government, nothing like the former margin of profits will be allowed. In addition to the reduction in profits or gross sales munition makers despite their vital position to the welfare of the Government are under strict censorship as regards profits, hence huge returns are sentimentally under a ban if for no other reason. On top of all their other troubles the profits of companies with Aladdin-like prosperity are ripped to pieces under the excess profits taxes and are in for a further "ripping" should the

Not that higher levels will not be seen again. We have a war market and Crucible is a "war baby" of the first water, backed by pools and susceptible to all kinds of speculative inoculation. The real investor, however, is only interested in a stock's true worth. If for any reason it becomes inflated he will know it and get out or keep away. He will not be misled by false rumors or misleading reports. To so instruct him is the function of THE MAGAZINE OF WALL STREET and the purpose of this analysis.

Mercantile Marine's Back Dividend Plan

Its True Inwardness — Have Depreciation Charges Been Adequate?—The Company's Present Position—Investment Status of Its Securities

By J. G. DONLEY, JR.

THE Marine stocks have been the objects of such flagrant manipulation, so cleverly staged and so adroitly managed, that any analysis of their present position must give first place to an examination of these issues from the speculative viewpoint. These stocks were taken from under the darkly hovering clouds of receivership and marked up to the accompaniment of extravagant earnings publicity, from low levels of 3 for the preferred and ⅝ for the common in 1914, to high records of 125⅝ and 50⅞, respectively, in 1916.

By reference to Table I, which gives the price ranges for the preferred and common stocks from 1914 to date, it will be seen that Marine preferred is up from a low of 62⅝, while the common is up from a low of 19¾, reached early this year.

Back Dividend Prospects

Getting to the heart of the matter: Is it good market sense to believe that "insiders" have recently been buying the preferred stock well above par and the common around 30, while they have been feeding the public with rumors of a plan to take care of the 88 per cent in back dividends accrued on the preferred stock?

If a plan is actually under consideration the real insiders knew it long ago, when the preferred stock was 30 or 40 points lower. Is it logical to think that they are making new commitments in the stocks now?

Taking a general view of the Mercantile Marine situation, it becomes apparent that big earnings are a thing of the past. This excellently adaptable speculative ammunition has become almost a minus quantity through the operation of British and American excess profits taxes, Government control of shipping and regulation of freight rates, and the lesser factor of rising costs of all sorts. In addition to these restraining influences which promise to be effective for the duration of the war, there is, further, the likelihood, with shipbuilding operations gaining in velocity from month to month, that when the war is over Mercantile Marine will find itself confronted with the prospect of as formidable competition as it faced before the war. The graphic reproduced herewith is illuminating in this respect and is worth careful study.

With earnings reports becoming valueless as speculative ammunition, the final big "shell," which has been carefully held in reserve for the get-away, is now being brought forward. This last bit of ammunition is nothing else than the "plan to provide for the payment of 88 per cent in back dividends on the preferred stock." Many a time in the past the public has had high hopes that this piece was to be set off, only to be disillusioned when after it had been paraded before them it was again allowed to sink back into obscurity for safe keeping.

TABLE I—RANGE OF MARINE'S STOCKS

	Preferred		Common	
	High	Low	High	Low
1914	15¼	3	3¾	⅝
1915	77⅝	55¾	20⅝	18
1916	125⅝	61¼	50⅞	13⅝
1917	106½	62⅝	36⅞	19¾

End of Speculation

From the speculative viewpoint all holders of Marine securities are vitally concerned in this exploitation of the back-dividends plan, because it will, in all probability, mark the end of active speculation in and manipulation of the Marine shares. By implication it is clearly an admission that all other speculative expedients have lost force. This consideration alone is sufficient reason for getting clear of all commitments on the long side of Marine preferred and common stocks.

Assuming that the rumored dividend plan is approximately what may be expected to develop, it is interesting to see how it would work out. As recently outlined in the newspapers, the plan calls for

the payment of 50 per cent of the 88 per cent in common stock, 35 per cent in 6 per cent notes and 15 per cent in cash. This would mean $44 par value of new common stock for each share of preferred stock now held, $30.80 face value of 6 per cent notes and $13.20 in cash. Figured out on the basis of the $51,726,300 preferred stock now outstanding, it would mean a total of $6,827,871 to be paid in cash, $22,759,572 new common stock and $16,000,000 6 per cent notes. Table II gives a comparison of the outstanding Marine capitalization as it will be if this plan goes into effect, with the actual outstanding capitalization at the close of 1914—the year the war started; and at the close of 1916.

TABLE II—MARINE'S OUTSTANDING CAPITALIZATION

	After Plan Effective	1916	1914
Preferred	$51,726,300	$51,725,500	$51,730,971
Common	72,631,572	49,872,000	49,931,735
4½% Bonds	....	....	52,744,000
5% Bonds	....	....	17,882,000
6% Bonds	40,000,000	40,000,000	....
Debenture bonds of subsidiaries	*11,000,000	10,879,714	5,802,055
6% Notes (under plan)	16,000,000	....	....
Total	$191,357,872	$152,477,214	$178,090,761

*Estimated.

The much-talked-of plan for readjustment of Mercantile Marine's bonded indebtedness, it will be remembered, provided for the substitution of $40,000,000 6 per cent first mortgage and collateral trust bonds for the $55,552,412 4½ per cent bonds and the $18,440,133 5 per cent bonds, through exchange and partial cash payments, thus reducing interest charges by $1,021,864. Should the 6 per cent notes be issued under the proposed dividend plan, interest charges would be increased again by $960,000, practically nullifying the benefits of the previous readjustment of bonded debt. Moreover, reference to Table II shows that Marine's total outstanding capitalization will stand at $191,350,000, as compared with $178,090,000 in 1914—revealing an actual increase after all these plans!

There is great similarity between the Marine dividend plan and the plan which was put into effect in the early part of this year to take care of the 33⅓ per cent in back dividends on International Paper preferred. There is also a close similarity between the present Government regulations and taxation harassing these two companies. The International Paper plan provided for the payment of 7½ per cent of the amount due preferred shareholders in cash, 14 per cent in preferred stock and 12 per cent in common stock.

Comparison With International Paper

Like causes may generally be counted upon to produce like results—in the stock market, as elsewhere. Having this truism in mind, let us look back and see what happened to the International Paper stocks after this plan was executed. Table III allows ready comparisons to be made of the selling prices for the Paper preferred and common stocks, before and after the back dividend plan.

Reference to this table shows that International Paper preferred reached a high of 109½ and the common 75½ in 1916, when the plan was being talked about. After the plan became an accomplished fact, the best the preferred stock could do was to make a high of 77½ in 1917, while the common struggled up to 49⅝. Paper preferred is now selling around 50, while the common stock is around 20; with only a moribund speculation in them. In addition to the points of resemblance already pointed out between the position of the stocks of the two concerns, there is another striking resemblance. The Paper company also provided for the refunding of its bonds into a new general and first mortgage issue of $7,-

TABLE III—RANGE OF STOCKS OF INTERNATIONAL PAPER

	Preferred		Common	
	High	Low	High	Low
1915	50⅜	33	12⅞	8
1916	109½	42½	75½	9½
*1917	77½	50¼	49⅝	18½

*Since plan became effective.

500,000, paying off out of current resources and out of surplus profits over $7,000,000, with the result of a net reduction of $2,-246,000 in its funded debt.

Surely the investor in Mercantile Marine stocks finds little comfort in the experiences of International Paper stockholders.

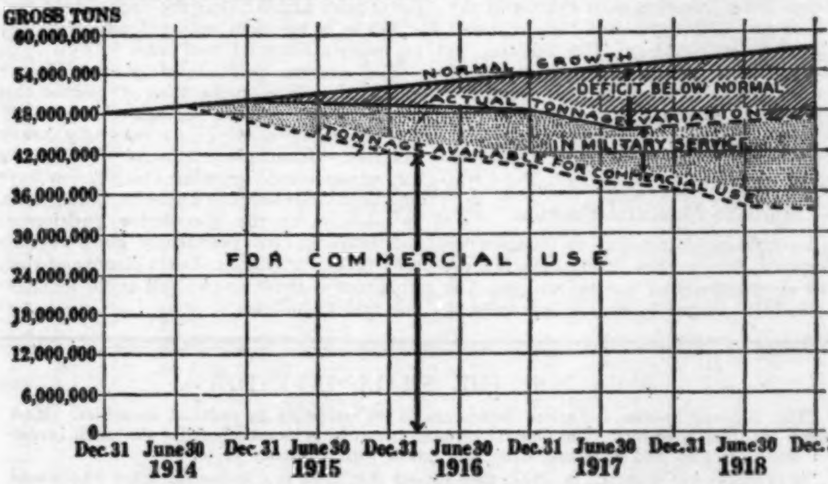
This analysis has so far been confined mainly to speculative considerations, because the Marine issues are speculations first and last. We have shown that if the plan currently talked of is put into operation, Mercantile Marine's outstanding capitalization will be larger than before the war.

In other words, the company, heavily over-capitalized at the start, will still be over-capitalized when a return to normal conditions is made.

years preceding the war, and in addition it has a considerable interest in the New York Shipbuilding Co., profits from which may be expected to help some in times of depression. Marine's revenues may not be expected to go back to the previous lows, but neither may it be expected that future earnings will justify the present high levels of the Marine stocks.

Depreciation

Any consideration of Marine's earnings position and financial condition must give due weight to an examination of the depreciation item. The charge has often been made by people well versed in shipping matters that the International Mercantile Marine Co. has never made adequate provision



The World's Shipping —*Annalist*

If the company could not earn bond interest in 1914, and showed only 4.44 per cent on its preferred stock in 1913, 0.25 per cent in 1912, 0.95 per cent in 1911 and 1.49 per cent in 1910, can it reasonably be expected to do much better under like conditions at some future time? To be sure, 42.10 per cent was earned on the preferred stock in 1916 and 37.45 per cent on the common, while 26.26 per cent was earned on the preferred stock in 1915 and 21.01 per cent on the common. But such results were the products of unexpected profits at the height of war-time prosperity. Although the company may make a very good showing again this year, it has passed the peak of its prosperity.

Mercantile Marine is now operating a larger fleet of vessels than it was during the

for depreciation requirements. It would be practically impossible to go thoroughly into the question of depreciation without making a first-hand study of the actual condition of the company's fleet. It would be natural to assume, however, that active war service has subjected the company's vessels to more than the usual amount of wear and tear. It would be natural to look for quite a jump in Marine's depreciation charge for the year 1916, as compared with 1914 or any of the years before the war.

Marine's charge for depreciation in 1916 was $4,169,489, or about 2.3 per cent on its property, carried at $180,506,008. This shows only a slight increase over the charge in 1914, when depreciation was figured at $3,-609,557 on property of $193,274,836. Com-

pared with the depreciation item of the Atlantic, Gulf & West Indies Steamship Co., the charge made by the Mercantile Marine Co. appears to be wholly inadequate. For the year 1916 the Atlantic, Gulf & West Indies Co. charged off $3,113,620 against equipment and terminals carried at $27,959,058, or a little more than 11 per cent. In 1915 Atlantic Gulf charged off $2,332,914.

The International Mercantile Marine Co. through its various subsidiary companies owns and operates 111 steamships, 101 of which are under the British flag, 8 under the American and 2 under the Belgian. In addition the various subsidiaries have 14 vessels under construction, which will have an aggregate registered tonnage of 216,450 tons. The company has under lease from the City of New York Piers Nos. 58, 59, 60, 61 and 62, North River, running until 1920, with the option of renewals until 1940. It also owns terminal property and an office building in Antwerp. It has terminal arrangements at Liverpool, London, Southampton, Montreal, Boston, Philadelphia, New Orleans and other ports, as well as a leasehold until 1983 of the office building in London, known as "Oceanic House."

Marine's Financial Position

Marine's financial position, as revealed by its balance sheets, has been greatly improved as the result of war prosperity. On Dec. 31, 1916, accounts receivable exceeded loans, overdrafts, etc., and accounts payable by $3,168,220; whereas, back in 1914, current liabilities as represented by these items actually exceeded accounts receivable by $1,247,886. The cash item stood at $5,607,025 in the 1916 balance sheet, as compared with $4,251,478 in 1914. "Marketable securities" have, however, increased from $479,104 in 1914 to $17,907,363 in 1916, largely representing the investment of cash funds in British Government securities. This process of converting cash into British Government securities has been carried on during the last two years, more or less under compulsion, until the item is now said to stand around $40,000,000. Marine's net working capital—which is the balance of current assets over current liabilities—amounted to $27,333,519 at the close of 1916, as compared with $2,335,636 at the end of 1914.

There is no fault to be found with the company's financial position.

The present price level of the Marine stocks, however, more than discounts this improvement in the company's finances. But declining earnings, increasingly heavy taxation, Government control of shipping and prospects of growing competition have not been discounted. These considerations, in addition to the speculative position of the Marines, are sufficiently good reasons why careful investors should dispose of their holdings of these stocks and avoid them for the present at least.

PLEA FOR THE SMALL INVESTOR

"The Railway Investors' League represents 65,000 investors in railroad securities. Most of them are small investors. The number of large investors is small. It is for the small investors I make my plea and in combination they speak with a mighty voice.

"It probably has occurred to others than myself that there is a lesson for those who would solve the difficulties of railway credit in the way in which our Government has had to solve the problem of financing the war.

"If anybody had said a year ago that at this time there would be more than 12,000,000 bond holders in the United, every statistician on the subject would have advocated having him committed for lunacy.

"But in six months we have jumped from less than half a million to over 12,000,000 bond holders. This large number of bond holders was secured from millions of small investors who subscribed and paid for the bonds upon easy payments out of their current savings.

"If, therefore, there is mapped out a broad platform of policy which will ultimately cause a large proportion of our millions of small investors to subscribe and pay for the railroad bonds out of current savings, there will be brought to the aid of the railroads not new flotations and new debts with which the roads are now burdened, but new capital and new owners and partners, a combination which will inject a new financial vigor now so sorely needed.

"Government ownership then in reality will be an ownership by the great majority of thrifty Americans as individual investors.

"For the past ten years the small investors have shown their increasing willingness, ability and preference for investment in the country's transportation systems until halted by the plight into which they see their properties drifting by a delay which no other enterprise in this country has had to encounter."—*John Muir, before the Interstate Commerce Commission.*

Bargain Indicator of Railroads

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equitay of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

	Present Div. Rate	Dividend Yield on Recent Price	Dollars Earned Per Share 1912	1913	1914	1915	1916	1917	Recent Price	Earnings Last Fisc. Year on Recent Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colorado & So., 1st pfd.	$4	8.88%	17.64	19.59	4.77	6.52	25.32	48.36*	45	107.46%	Prosperity continues.
St. Louis So. W., pfd.	0	0.00	8.14	9.49	1.69	—0.14	6.37	18.43*	35	52.65	Road extraordinarily prosperous, spending much money on/property.
Kansas City So., com.	0	0.00	0.15	2.68	2.95	1.00	2.97	6.84*	15	45.60	Gross increases large; net shows substantial gains.
Denver & Rio Grande, pfd.	0	0.00	2.29	4.21	2.82	2.85	7.66	5.67*	13	43.61	Western Pacific suit overshadows prosperity as market factor.
Southern Ry., pfd.	5	9.09	11.27	11.80	8.06	2.76	15.56	21.81*	55	39.65	Margin of earnings well maintained.
Seaboard Air Line, pfd.	0	0.00	2.37	6.14	5.72	—0.15	4.02	6.92	17¾	38.98	Interference with export movement from Southern ports, factor.
Wisconsin Cent., com.	0	0.00	0.33	3.98	0.24	0.02	12.78	9.87*	36	27.72	High operating costs eating up gross gains.
Ches. & Ohio	4	8.60	6.81	5.25	4.73	4.25	12.21	11.46*	46½	24.64	Benefits begin to accrue from recent extensions.
Southern Pacific	6	7.40	7.92	9.85	7.50	7.20	12.98	16.56*	81	20.44	Reporting less brilliant earnings.
Illinois Central R. R.	6	6.41	3.12	6.02	7.40	6.18	16.03	19.11*	93½	20.43	Extra dividend of 1% declared for 1917 restores stock to 7% basis.
Louisville & Nashville	7	6.19	15.93	11.64	9.22	6.75	23.56	23.03*	113	20.38	High operating cost cut down net.
Chicago Gt. West., pfd.	0	0.00	0.45	3.03	2.03	1.92	4.02	3.79*	20	18.95	Earnings now at low ebb, pays irregular divs.
A., T. & S. Fe, com.	6	7.18	8.19	8.62	7.39	9.18	12.30	15.02	83½	17.98	Gross maintained at record volume; net holds fairly well.
Reading R. R., com.	4	5.97	3.4	8.4	4.05	4.15	10.15	10.97*	67	16.37	Coal dept. inc. fails to offset dec. in R. R. net.
P. C. C. & St. Louis com.	5	9.09	7.12	—0.02	0.89	6.88	11.69	8.91*	55	16.20	Initial div. of 2¼% paid in June regarded as semi-annual.
Northern Pacific R. R.	7	8.23	7.93	8.69	7.92	7.59	6.44	13.43*	85	15.80	Decline in net does not endanger dividend.
Union Pacific com.	8	7.11	13.88	15.14	13.10	10.98	17.63	17.02*	112½	15.12	Yearly $10 dividend includes 2% annual extra.
Norfolk & Western com.	7	6.86	10.3	10.5	8.97	8.77	17.8	15.25*	102	14.95	Earnings not seriously affected by soft coal price regulation.
Atlantic Coast Line	7	7.29	11.92	11.48	10.68	6.26	11.23	14.09*	96	14.67	Earnings maintained at good margin over divs.
New York Central	5	7.35	6.24	5.90	3.75	11.10	18.29	9.97*	68	14.66	New financing adds additional burdens.
Delaware, Lack. & Western	5	2.73	16.58	13.35	14.13	12.96	19.16	25.09*	182½	13.74	Extra 10% dividend secure.
Canadian Pacific com.	10	7.60	19.62	19.56	13.63	11.27	11.23	17.12*	131½	13.01	Current earnings large.
Baltimore & Ohio R. R. com.	5	9.70	7.58	7.22	4.50	5.49	6.72	6.55*	51½	12.71	Increased expenses cut greatest gross in history to net decrease.
Chic. & North Western	7	7.36	7.09	9.55	7.58	7.28	14.12	10.76*	95	11.32	Wide margin over dividends being maintained.
Delaware & Hudson	9	9.37	12.95	14.53	10.84	14.28	9.78	10.54*	96	10.97	Coal earnings for year expected to show increase.
Great Northern pfd.	7	7.69	10.31	11.69	8.85	8.27	6.89	9.89*	91	10.86	Large equities in Burlington insure dividend.
Minn., St. Paul & S. S. com.	7	8.43	13.32	18.40	7.80	8.30	18.07	8.79*	83	10.59	Controlled by Canadian Pacific.
Lehigh Valley R. R.	5	9.61	5.62	7.23	5.83	5.22	3.31	4.98*	52	9.57	Dividend endangered by slump in net.
New York, N. H. & Hartford	0	0.00	7.49	4.96	0.15	1.47	2.75	2.23*	25	8.92	New financing presents difficult problem.
Penn. R. R.	3	6.25	4.68	4.43	3.41	4.25	5.24	4.28*	48	8.91	Margin over dividend not large.
Chic., Mil. & St. Paul com.	4	10.95	1.19	8.64	3.33	3.28	6.78	1.90*	36½	5.20	Heavy decreases in net continue.
Erie 1st pfd.	0	0.00	5.85	13.95	0.33	12.56	9.67	—5.03*	21	0.00	Net earn. nil as result heavily inc. expenses.

*Estimated.

NOTE.—Yield on price of Reading R. R. first pref. was given on page 197 of our last issue as 10.66. This was a clerical error. Correct figure should have been 5.33.

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Glad to say a good word for your excellent magazine. It contains more real "meat" on investment and financial matters than any other paper I have ever read.

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During the past ten years I have observed with interest the number of so-called "financial magazines" which have sprung up, flourished briefly and vanished, never to return. Meanwhile, The Magazine of Wall Street has grown steadily and sturdily. This semes to me the most eloquent possible testimony to the value put upon your magazine by investors, both as to the soundness of its contents and the trustworthiness of its editorial policy.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Baltimore & Ohio—Reports net Sept., 1916, $3,637,514 and 9 months, 1916, $24,665,656. Damage by fire, which swept two of Locust Point piers of company recently, is estimated at $5,000,000. Pres. Willard, at rate increasing hearing, stated, although $1,500,000 behind on deferred maintenance, he was not sure the road would earn its 5% dividend.

Candian Pacific R. R.—The tide has apparently turned in earnings. September increase in gross, against September, 1916, was $110,181, or less than 1%, and loss in net was $1,382,608, nearly 27%. Nine months gross earnings were $109,393,516, which is $8,729,726, or 8.6%, over the 1916 period. Net for the period was $32,322,145, or $1,894,225 (5.5%(less than for first nine months, 1916.

Chesapeake & Ohio—Earnings, 1917-1916: Sept. gross, $4,722,,017, against $4,196,930; net after taxes, $1,164,355, against $1,381,980; surplus after charges, $560,497, against $741,829; 9 months gross, $39,931,740, against $37,079,239; net after taxes, $10,329,818, against $11,501,221; surplus after charges, $5,268,548, against $5,508,145.

Chic., Burlington & Quincy—The minority stockholders at annual meeting, objected to Northern Pacific-Great Northern domination of the road. Attorney for objectors asserted that other minority stockholders object to the Hill road's control.

C. M. & St. Paul—Showing in September raises grave doubts as to whether road will be able to earn the full 7% dividend on its pfd. stock. If earnings in final three months of 1917 should duplicate the 1916 figures, its net after taxes would be $27,000,000. Adding income from other sources equivalent to 1916 net result would still be insufficient to meet requirements of common dividend. Operating ratio, in September, 1917, was 84.60% of operating revenues, against 69.22% a year previous.

Chicago & North Western—Comparative earnings, etc., are:

earnings, etc., are:	1917	1916
Sept. gross.........	$10,148,267	$9,308,479
Net after taxes....	2,633,964	3,128,329
Surp. after chgs...	1,740,432	2,234,531
9 mos. gross.......	81,670,372	73,626,172
Net after taxes....	19,483,022	21,962,616
Surp. after chgs....	11,779,666	14,037,763

Chic. R. I. & P.—Relative to conditions, Chairman Amster said: "The physical condition has never been better. The company has no floating debt and over $40,000,000 free marketable securities in its treasury. The margin of safety over interest requirements makes the refunding bonds a gilt-edge railroad investment. No one should expect dividends on the common stock, but Rock Island common represents actual value of more than par. The stock sold in 1902 at over 200 per share. Its value has not been diluted since by any water."

Delaware & Hudson—Reports Sept. earnings: Gross. $2,728,677, against $2,247,054 for Sept., 1916; net after taxes, $673,371, against $671,208 for Sept., 1916; 9 months gross, $22,359,268; net after taxes, $5,002,093, compared with $19,870,135 and $5,885,939 respectively.

Denver & Rio Grande—Reports earnings as follows:

as follows:	1917	1916
Sept. gross..........	$2,585,693	$2,434,129
Surp. after chgs.....	197,362	414,861
9 mos. gross........	20,619,524	18,268,512
Surp. after chgs....	1,660,126	2,737,909

At regular monthly meeting of directors, organization was completed. James Russell, recently with St. Louis Southwestern, was elected vice president in Denver, and Finley J. Shepard, vice president in New York. R. F. Watkins, treasurer, and E. L. Brown was elected president, and J. P. Howland secretary at New York.

Erie—Earnings statement for September and 9 months compare: September gross, $6,850,488; net, $832,320; 9 months gross, $58,778,118; net, $8,094,264. The figures for 1916 are respectively: September gross, $6,395,011; net, $1,557,448; 9 months gross, $55,512,502; net, $13,971,839. Testifying before Interstate Commission at hearing as to rate increases, Pres. Underwood said: "The return on property investment was 288% for year June 30, 1917, compared with 4.86% in 1916. Upon that showing it is vain to expect buyers for railroad securities. The Erie asks an increase sufficient to enable it to perform its duties to the public, pay interest on bonds, and have a proper surplus to meet emergencies. No percentage of rate increase that has been under consideration is adequate. There is no time to lose. The end of the next two months will be a trying period for

many of the weaker lines. I am confident the railroads are not in vain applying for salvation."

Great Northern—Earnings, etc., Sept. and 9 months compare: Sept. gross $8,382,072, net $2,626,451; 9 mos. gross, $64,759,846, net $17,196,213. The figures for 1916 are, respectively: $8,072,261, $3,485,519, $59,580,534, $19,477,987.

Minn. & St. Louis—

Reports Earnings:	1917	1916
September gross....	$1,042,066	$1,004,366
Net after taxes......	272,580	316,529

Missouri Pacific—Earnings, etc., Sept. and 3 months compare: Sept gross $6,510,903, net $1,629,953; 3 mos. gross $19,960,416;, net $5,523,449. The figures for 1916 are, respectively: $6,198,550, $1,621,001, $18,093,652, $4,394,508.

Northern Pacific—Earnings for Sept. and 9 months are:

	1917.	1916.
September gross	$7,342,480	$7,576,477
Net after taxes......	2,387,710	3,344,247
9 mos. gross........	64,682,896	57,888,343
Net after taxes......	21,434,612	21,464,683

N. Y. Central—Reports total earnings for all lines, as follows: Sept. gross $34,944,697, net $8,946,960; 9 mos. gross $289,199,128, net $67,251,358. These compare with the 1916 figures, respectively: $31,858,675, $11,055,931, $267,078,393, $86,013,627.

N. Y., N. H. & Hartford—Officials announce that the new pfd. stock would be issued by Jan. 1, 1918. Stockholders may subscribe at the ratio of four shares of pfd. to 11 of common. In September road not only showed increase in gross, but was able to save some of gain for net. Surplus after charges was $720,058, compared with $710,543 for September, 1916. In the nine months surplus was $2,450,973, against $3,489,797 for the corresponding period of 1916. In first 3 quarters 1917 has earned $1.56 a share on its $157,117,900 stock outstanding.

Pennsylvania—Justness of railroad request for advance in freight rates is well illustrated by operating results of the Penn. system. Gross revenues of R. R. Lines East and West Sept., 1917, were $5,560,907 greater than Sept., 1916. Net earnings were $415,156 less.

Reading—Reports Sept. surplus for all companies of $663,358, compared with $1,587,960 for Sept., 1916; 9 mos. surplus, $13,353,289, compares with $15,459,262 for the comparative period of 1916.

Seaboard—

Reports Earnings:	1917	1916
September gross....	$2,492,373	$2,039,452
Net after taxes......	562,630	496,243

Southern Pacific—Gross earnings for Sept. show increase $1,948,450 over Sept., 1916. Operating increased $1,080,002, and transportation $1,223,296. Net for 9 months increased $7,130,664, over the 1916 period.

Southern Ry.—Earnings for the first three months of fiscal year continue to show growth. If similarly maintained for the remaining nine months they would carry Southern through the year with 24.06% on pfd., compared with actual returns of 20.60% for the year ended June 30, 1917. This will leave 9.53% for common, against 7.80% in the previous year. Gross was $23,253,252, an increase of $4,747,162, a gain of 20.57%, while net shows gain of $967,258, or 18.80%.

St. Louis-San Francisco—

Reports Earnings:	1917	1916
Sept. gross..........	$5,409,629	$4,682,305
Net after taxes......	1,813,588	1,554,457

SUGGESTIONS IN REGARD TO INQUIRIES

The very heavy volume of inquiries which this publication is now receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

(1) Not more than two or three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities asking for an opinion on each. The careful manner in which the Investors' Personal Service Department handles its inquiries makes it impossible to give such inquiries the immediate attention necessary, without slighting other inquirers.

(2) Write all inquiries on a *separate* sheet of paper, which should bear the writer's name and address.

(3) Enclose stamp or stamped and addressed envelope.

The above suggestions are drawn up for the benefit and protection of our readers and those inquiries which conform with them will receive first attention.

When a reader wishes a special investigation or a special analysis of a security or a subject we shall be pleased to submit an estimate of the special charge for such work.

Industrial Digest

Adams Express—July receipts were $4,212,288, against $3,700,651 for July, 1916. Deficit in operating revenues converted net into a deficit of $370,850, against a gain of $96,499 for July, 1916.

Allis-Chalmers—For first nine months of 1917 showed aggregate net profits $2,822,531, against $2,236,297 for 1916 period; a gain of 26.2%.

Am. Car & Foundry—Has received order for 10,000 railroad cars from Russian Government of the light four-wheeled type for freight service. Has also received an order from the U. S. Government for $50,000,000 worth of 6-inch shells.

Am. Express—Plans for extending Far Eastern business in Shanghai, Yokohama, Manila and Hong Kong are said to be completed. July receipts were $5,847,549, against $5,131,671 for July, 1916. Deficit of $54,068 in operating revenue, converted net into a deficit of $106,239, against a gain of $161,900 for July, 1916.

Am. Hide & Leather—New interests are reported seeking control. These interests are not presumably antagonistic to the management.

Am. Locomotive—Reports largest total of unfilled orders in its history, and with working capital of over $25,000,000, or par, for the 7% pfd. Company is fortunate in having on hand good sized stocks of steel.

Am. Smelting & Refining—Predicted will show net earnings $25 a share for 1917 after charges and excess profits taxes. During first half of the year management has been liberal in provisions for meeting war taxes. There was set aside for this purpose $3,778,000.

Am. Steel Foundries—In nine months to Sept. 30 earned a balance above depreciation interest and sinking fund $5,186,785, or $30 a share. For the nine months company set aside $1,500,000 as its estimate of war tax. Company is likely to earn between 36% and 38% for the year, before wax taxes. Final dividend balance is estimated at $26.

Am. Suger Refining—Louisiana sugar crop is not expected to exceed 250,000 tons. Of the 100,000 tons which American Sugar has agreed to buy at 6.35 cents, it is not likely to get much more than 60%, because this price, fixed by the Hoover administration and food administrator of Louisiana is not high enough to tempt planters to sell.

American Tobacco—A syndicate has been started for purchasing $25,000,000 6% 90-day notes from company. The money is to be used for purchase of leaf tobacco and raw materials. This financing puts in definite form $15,000,000 of floating debt and gives the company $10,000,000 of new money.

Am. Writing Paper—Is having a disappointing year. The first six months showed net less than 40% of 1917 rate, when balance of 20.2% was shown for senior issue after bond interest and sinking fund. For all of 1917, however, interest charges and a small percentage on preferred will probably be earned.

Baldwin Loco.—Men familiar with locomotive manufacturing costs figure that, at present rate of production, Baldwin must be making the largest earnings in its history. Company has been turning out 60 engines weekly, and recently completed 72 within a seven-day period. These engines were contracted for at about $45,000 each. It is figured that net profit per engine cannot be less than $5,000.

Bethlehem Steel — Chairman Schwab stated recently, regarding orders, that company has $600,000,000 of work on hand, of which 90% constitutes war orders. Bethlehem has all the business it can possibly handle. Mr. Schwab further states: "Our labor situation is easy, in the sense that we are not having trouble; but of course there is a scarcity of labor."

Burns Bros.—An appraisal by the American Appraisal Co. of the fixed property and plant shows a reproduction value in their present condition (allowing for depreciation) of $5,936,066. This property has been carried upon the books at $2,932,273. The board has directed the president to amend the balance sheet accordingly.

Central Leather—Business in last quarter 1917 is running better than previous quarter, when less than $50,000 surplus over dividends was shown, according to reports.

Chandler Motor—Pres. F. C. Chandler has issued the following statement: "Net earnings for ten months ended Nov. 1 before war taxes amounted to $32 a share. I estimate that for 12 months earnings will amount to not less than $34.50. We estimate maximum figure for war taxes about $9.50. Company is clear of debt, with all bills paid."

Crucible Steel—Surplus for the year ended Aug. 31, after preferred dividends of $4,719,857, is equal to $18.88 a share earned during the period on $25,000,000 common stock outstanding. Balance sheet shows a profit and loss surplus of $6,263,464, compared with $6,543,606 Aug. 31, 1916.

Cuba Cane Sugar—Report for year ended Sept. 30, 1917, is predicted to show profits around $12 a share for the common, against $18 the previous year. This falling off is due largely to higher operating costs. Moreover, it is generally understood that the sugar content of the cane did not come up to expectations. Production the coming

year should show around 4,000,000 bags; 0.27 cent a pound net is needed to cover the pfd. dividend.

Dominion Steel—Directors have raised the common dividend from 4% to 5% yearly.

Gaston, Williams & Wigmore—$3,690,000 current notes outstanding April 30, 1917, have been paid off. Company has $2,800,000 on hand, with nominal current trade indebtedness.

General Electric—In 1917 will break all records in respect to gross and net. Gross billings for 12 months to Dec. 31 are likely to come very close to $160,000,000. Total net profits, including income from investments, are likely to exceed $28,000,000. In other words, the company is in line to earn better than $25 per share on its $101,000,000 stock before excess profits taxes.

General Motors—Earnings, two months ended Sept. 30, 1917, compare as follows: Cars and trucks sold, 35,263, against 24,936 for two months 1916. Net sales, $35,168,000, against $21,480,,767 for the 1916 period. Undivided profits, $6,375,000, against $4,371,475. Cash, etc., Oct. 23 amounted to $21,600,000

Goodrich—Is carrying $11,000,000 more of crude rubber than was the case two years previously, for the sake of precaution. In same way the inventory item in cotton duck and tire fabrics has shown an incraese of several millions. Because of these increases the company has financed with $15,000,000 notes, all taken by a group of banks. Sales in 1917 are likely to reach about $90,000,000.

International Paper—Decision has been reserved on a demurrer in reply to complaint of minority stockholders, who asked that the company be compelled to pay all the accumulated dividends on the pfd. stock.

Kresge—Reports October sales $2,631,158, against $2,374,600 for month in 1916, an increase of 10.80%. Sales for the first ten months of 1917 were reported at $22,613,175, against $19,691,138 for the same period 1916, an increase of 14.84%.

Lackawanna Steel—Estimates are that net profits for 1917 will eclipse former records by a margin of 100%. Banking interests close to the company believe net profits before excess profits taxes will run between $25,000,000 and $26,000,000. It means a balance of $74 a share, against $34.80 in 1916. Excess and income taxes will probably approximate $9,500,000, leaving about $45 a share on the stock.

Maxwell Motor—Is stated to be earning not less than $25 a share on its common. The fiscal year, July 31, 1917, was the best the corporation ever enjoyed.

Midvale—Net profit $8,039,285 for third quarter is $4,02 a share, or $16.08 a year. Management has not been able to figure a war profit basis for computing tax. The company is a new one and there are complications which an older corporation would not experience. For 1917 Midvale is likely to charge off $22,000,000 for taxes. For all of 1917 it is likely to earn between $18 and $20 a share.

National Acme—Gross sales are running ahead of 1916, gain for eight months being about 8%. Net has declined in the face of expanding sales through rising costs. Production costs have been neutralized during August and September by advances in selling prices.

Reynolds Tobacco—Proposition to increase the authorized capital stock to $40,000,000 from $20,000,000 was ratified unanimously. The new stock will consist of $10,000,000 pfd. and $10,000,000 class B common.

Sears-Roebuck—Sales in October, aggregating $20,375,589, were $4,163,494 greater than in October, 1916. Sales for 10 months $139,513,416, compares with $110,918,298 for the 1916 comparative period.

South P. R. Sugar—Profits of this company would have shown as $2,794,175, instead of $1,851,290 for year ended Sept. 30, if the beneficial interest of stockholders in the profits of Russell & Co., S. en C., amounting to $948,385 for the year, had been added to earnings of the sugar company.

United Fruit—Excess profits tax for fiscal year will run between $2,500,000 and $3,000,000, or $5 to $6 a share. Profits for October equal a year's interest on its debt.

U. S. Rubber—Estimates earnings for 1917 at $11,000,000, or $30 a share on the common, after war taxes. Rubber earned $6,271,125, or $17.75 a share on its junior stock. Gross sales are around $150,000,000, against $126,759,129 in 1916.

U. S. Steel—Unfilled tonnage statement shows 9,009,675, tons, Oct., 1917, against 9,833,477 Sept., 10,407,049 Aug. and 10,015,260 Oct., 1916. The falling off in Oct. tonnage was larger than expected, estimates having ranged between 400,000 and 600,000 tons. Corporation now has 9,009,675 tons unfilled business, against 12,183,083, April, 1917; a shrinkage of 3,173,408 in 5 months. Steel orders have been declining since April, but Oct. shrinkage was largest yet reported. Adjustment of prices and embargo has influenced falling off in tonnage. At end of 1917, steel will have its $240,000,000 for 1918 taxes.

Railroad and Industrial Inquiries

Margin of Dividend Safety for Leading Rails

W. H. G., Lebanon, Penn.—Taking up separately the earnings and dividend prospects of the railroad stocks you mention, we find that:

Atchison shows earnings for the first two months of its fiscal year at the rate of 9.67% on its common stock as against indicated earnings for the same period last year of 12.30%. Its 6% dividend is in no danger.

Baltimore & Ohio is not showing sufficient earning power to render its 5% dividend entirely safe, and it may possibly be reduced. Earnings for the latest eight months were at the rate of 6.72%, against 8.69% in 1916.

Chicago & Northwestern is safely covering dividend requirements—7%. Its record for the eight months indicates a yearly rate of 11.46%, against 14.12% last year.

Northern Pacific is showing excellent earnings results, indications for the first eight months being an annual rate of 15.16%, as against an actual showing of 6.44% earned during the six months ended December 31, 1916.

Great Northern Pfd. is safely covering 7% dividend requirements, having indicated earnings for the eight months at the annual rate of 9.89%, as against 6.90% actually earned during the six months ended December 31, 1916.

The Outlook for So. Ry.

R. S. N., Detroit, Mich.—Southern Railway has some speculative possibilities of no indifferent character, but we hardly feel justified in recommending the stock at the moment, since the indications are that the general market will go considerably lower.

The stock is in such a favorable position, however, that it should quickly reflect any favorable change in the general market situation. Some time ago there was very strong indications of heavy accumulation of this stock. It is being bought, we think, by those who are taking a large range view and who believe that conditions will warrant the stock being put on a dividend basis within the next year or two, provided the war is over by that time.

Southern Pacific's Increases in Earnings

F. W. D., Bangor, Me.—Southern Pacific is preferable to Laclede Gas at the present time, in view of the difficult conditions under which public utility concerns in general are operating. There is no reason so far as can be seen now for doubting the maintenance of the 6% dividend rate on Southern Pacific. In fact, earnings for the eight months ended August 31, 1917, amounted to 10.21%, as against 7.37% last year. This increase is of particular significance at this time when most of the eastern trunk lines are showing heavy net losses as compared with last year. Current earnings on Southern Pacific indicated an annual rate of a little more than 18.75%, as compared with 13% actually earned last year.

Erie's Unfavorable Position

M. T. M., Wilmington, Del.—Erie does not impress us favorably and we do not recommend a purchase of the stock. We consider an issue like Kansas City Southern common, selling around 14¾, as far preferable to Erie. Kansas City Southern is earning at the rate of about 6% per annum on the common stock. The road is in splendid condition financially and physically, and as it serves important strategic territory its outlook is very bright with a return to peace conditions.

Meritorious R. R. Stocks

C. M. S., Louisville, Ky.—Of the stocks you mention, Southern Railway, preferred, and Wabash, preferred, will bear watching, with a view to buying for investment when the market outlook generally can be gauged with more certainty. We are not, however, very favorably impressed with the outlook for the Rock Island and Missouri Pacific, preferred, issues and direct your attention preferably to such stocks as the Kansas City Southern, preferred; Colorado and Southern, preferred; Atchison, common; Great Northern, preferred, and Northern Pacific, common.

Basis on Which St. Paul Should Be Bought

J P. S., Albany, N. Y.—Chicago, Milwaukee & St. Paul should eventually develop a wonderful earning power, for the road serves a growing territory of great potential possibilities. There may be a reduction in St. Paul's dividends, or it may be suspended altogether, temporarily, but the stock can now confidently be bought by those who are willing to tie up money in it indefinitely and await ultimate large profits. We do not advise its purchase on any other basis, however. Those who are holding the stock and would have to sell it at a sacrifice now should keep it if possible.

Pennsylvania a Sound Investment

A. D. B., Southington, Conn.—Owing to the very uncertain state of the market we hesitate to advise you to get out of a stock like Pennsylvania, which is a sound investment issue, particularly when you have a loss in it, and switch into something which may go con-

siderably lower. Simply stick to your Pennsylvania until the situation clears.

The Freight Rates Advance

L. D. C., Grand Rapids, Mich.—We hesitate to advise you to sell your Baltimore & Ohio and Missouri Pacific, preferred, just at this time, for the prospect of favorable action by the Interstate Commerce Commission on the application of the railroads for freight increase has stimulated interest in those issues generally. The two stocks you hold have had very drastic declines and their technical market position warrants the expectation that they will participate in any upward move which occurs in the railroad list following a favorable rate decision. We suggest you hold the stocks for the present and take advantage of any substantial rally to sell.

An Attractive Chain Store Pfd. Stock

T. B. S., Pittsburgh, Pa.—There are other and better established propositions among the Chain Stores that we would prefer to recommend in preference to McCrory Stores, Pfd. It is true that this stock may be purchased upon a more attractive yield basis than the others we have in mind, but it is not as safe. We suggest as a substitute United Drug First Pfd. stock. The dividend rate is 7% on a par value of $50. In other words, the annual dividend is $3.50 a share. At the current quotation, the yield is about 6.8%. The dividend on this stock is protected by an exceptionally wide margin of earnings. The preferred stock, of which there is $7,500,000 outstanding, is followed by $9,000,000 Second Pfd. 6% non-cumulative stock and $20,050,000 common stock on which dividends are being paid at the rate of 6% and 5% per annum, respectively. The second preferred and common stocks have a par value of $100 a share.

This company is engaged either directly or through subsidiaries in the manufacture and distribution of medicines, toilet articles, rubber goods, stationery, candies, druggists' sundries and goods of a like nature.

Westinghouse's Position

W. S. P., Mannington, W. Va.—Westinghouse Electric is now selling at a price only six points above the low record of 1915—the first year of the war. For the year 1912, the low record was 33⅛, and the high, 44¼; for the year 1913 and 1914, the low was 26 13/16, and the high, 39¾. Since you have such a large loss in this stock we hesitate to tell you to sell it now, provided you are prepared to carry it through any further possible decline. The company was temporarily war prosperous, and its high prices were made under the stimulation of exaggerated stories of its prosperity. The company is, however, ably managed and its regular electrical equipment business has grown rapidly in the last three or four years. At its present price it appears to have discounted pretty well a return to normal conditions, but this does not mean that it may not go considerably lower. We advise you to hold it for the present, but you should sell on any important rally.

International Mercantile Marine's Boom Over

M. C., Butte, Montana.—We have made a very thorough study of the International Mercantile Marine situation and can advise you emphatically not to buy either the common or preferred stocks. We think the crest of the boom in these issues has been seen and that the main trend of both stocks will be downward whether or not the plan for payment of back dividends is put through.

Amer. Locomotive After the War

N. O. A., Toledo, Ohio.—American Locomotive is in a pretty strong position, and as this company should benefit by both domestic and foreign orders for locomotives, with a return to normal times we consider the stock a fairly attractive long-pull proposition. However, since your position on it is speculative, it would probably be better for you to take advantage of any good rally to close out, for if the general market declines, American Locomotive will likely go with the rest of the list.

The Speculative Possibilities of Curtiss

P. T. F., Milwaukee, Wis.—Curtiss Aeroplane shares in whatever prosperity comes to the Willys Co. and vice versa. Curtiss, of course, will get the cream of the aeroplane business placed by the Government. The company is well established and well managed. Although dividends are not an early possibility on the stock, despite current large earnings, we regard it as a fairly attractive speculation for a long pull. You might do well to wait before buying it, however, for you may be able to get it at a lower price.

Gulf States After the War

F. M. M., Pittsburgh, Pa.—Gulf States Steel is war prosperous. The company will have to pay a heavy excess profit tax if the war is prolonged, whereas if peace is declared its earnings will undoubtedly show a very heavy shrinkage. We consider the stock a very speculative one and do not think you ought to incur the risk of holding it. At least you should protect your commitment with a stop-loss order and be prepared to take advantage of a good rally to close out.

BONDS AND INVESTMENTS

Secretary McAdoo's Stirring Address to the Investment Bankers in Convention at Baltimore, Md.

Spirit of the Bankers of America—Necessary and Inevitable Readjustments of War—Down with the Rumor Monger—Business to Be Protected—Our Financial Requirements—In the Fight to the Finish

"GENTLEMEN, I do want to say to you that it is the very greatest pleasure in the world to me to come here and to meet you face to face, and to tell you how much I appreciate all that you have done for your Government in this great time, and I particularly want to express my appreciation of the patriotic service, the unselfish service which your former president, Mr. Lewis Franklin, has rendered to your Government during these past six or seven months.

"When I think of the spirit that is animating America today, as evidenced by men like Franklin and as evidenced by the men who are members of this association, a spirit of willingness to serve America regardless of self-interest, I know that it means ultimately the downfall of the German Kaiser.

Not Valor Alone

"It is not the valor alone of a people that wins wars. It is not the spirit alone of a people that can fight battles victoriously. It is also the unselfishness of a people, the willingness to sacrifice, the willingness to forget self, the willingness to put all into the balance in order that the country may be secure and that the world may be made safe again. That is the spirit that is animating America today. From one end of this broad land to the other I have seen that spirit manifested on the part of people of all kinds and conditions in this great land of ours; more specifically in the men who have carried the larger burdens of life. I know it means that everything that America needs for this war is going to be supplied, and if it is supplied there is no doubt about the outcome, no matter how discouraging things may look at times, no matter if the investment markets happen to look blue now and then; no matter if Russia seems to be paralyzed by internal dissensions; no matter if the Italian army has been forced to make a partial retreat; no matter if a U-boat sinks a great liner and assassinates—that is what it is, it is not warfare—assassinates some noble American, it only means, my friends, that ultimately we are going to triumph, because we put America's spirit, America's might, and we are willing to put American sacrifices into the scale, and that means we are going to win the victory.

Spirit of American Bankers

"I say these things because I want you to know how much the sacrifice of the men who represent the association means to this great country of ours. As I sat at this dinner listening to the spirit you put into those songs that make the heart glad, make us feel our love for home and America—as I heard you sing those songs with such spirit, you who have had to suffer as much as you have—because you have had to suffer more than the average business in America; you have been hit harder because you have been engaged in a kind of business that feels the war quickest; I felt a new pleasure of pride in America and American citizenship. I find, too, that among this organization are men who have been and are now chairmen of Liberty Loan committees through the country, who are doing unselfish service for the nation; a service that is fundamentally essential to the success of America in this war. You have gone about it with unselfish devotion; the same kind of self-denial which our men who go out to fight with guns have to manifest upon the field of battle. It is the same thing even though it is asserted in a different way. The men who fight with guns have to make the maximum sacrifice, but their sacrifices will be in vain unless the men and women who stay at home are equally willing to sacrifice everything, if need be, that they have got in comfort, convenience, pleasure and property, to make those men strong enough upon the battle

fronts to win this great fight and secure America's future, to make civilization a light with the light of Christ again in the world.

Readjustments of War

"The inevitable readjustments that come from war have got to be made with courage and determination, and in a great nation like ours many interests have to suffer through this readjustment. We have to face those things with determination and courage, but there is this light in it—there is no doubt about that—that as this nation readjusts itself more and more to the one great and prevailing and all-absorbing purpose of the nation, that is, the war purpose of the nation, all of the energies of the nation have got to be absorbed and will be absorbed. There is room in this country today for every man who is willing to work and who is willing to help, and the more intelligent the men the greater the demand for them; and I want to say that it is only a question of time when these readjustments will be effected and when we will start men upon the new and highly organized basis where every particle of intelligence and every particle of energy and every particle of usefulness that any man or woman has in their composition in this country will be utilized to the full measure.

* * * * * *

"Now, in order to carry this war to a successful conclusion there are many things, of course, that have to be done. One of the most important of those things is finance. We have got to provide the sinews of war in the shape of financial means if our gallant men upon the field of battle are to be supported, if they are to be made effective for this fight; and while I am not going to discuss these questions thoroughly tonight—I wish I had time, as I should like, to talk to you about them—I do want to say this much; these problems which confront America, these financial problems, are not too great for America. When I say this I neither minimize the extent of these problems, nor do I in a vain-glorious way exaggerate the importance of the people of America. Let us preserve a true sense of proportion, my friends, about these things. Just let us review them for a moment. I have heard rumors of all kinds. I hear all kinds of perfectly wild and irrelevant and extraordinary and amusing rumors these days. Whenever you hear a rumor just make up your mind it is not so and you will be right always. (Laughter.) I would like to give you a sample of a few I have heard in the last few days—I will give you one. I received a letter in which I was told by a banker from the Northwest that he had been in a conference of bankers about some of the financial operations connected with the Treasury. One of the men present had stated emphatically that Mr. Tumulty, the President's private secretary, had been arrested for treason; that he had been found with important state documents upon his person; that he had been sent to Leavenworth prison, and that he had already been executed. (Laughter.) He said he didn't believe the story, but he would like to have some assurance as to whether it was true or not. Now, that is the sample of the kind of things that goes about the country to day, and so always when you hear a rumor just realize that it is not true, because they are not true; all of this stuff and nonsense you hear can be dismissed at once. We have got too serious and important things to think about to let our minds be absorbed for one second with irresponsible things of that kind.

Weird Rumors

"But I have also heard stories that the Government has to raise for the remainder of this fiscal year $25,000,000,000. I don't know how such stories originate. I wish some times I could take the brain of a man who evolved these stories and get it on a glass plate—I don't mean to be savage when I speak this way, but I would like to make a microscopic analysis of it. It would really be of great value if we could analyze the brain of that man, and if we had some means I would like to find some method to open their brains and see them. With people like that I think we should just pick them up and put them in jail or get them out of the way so they wouldn't do any harm.

"Now, I want to tell you this, if you will believe the Secretary of the Treasury instead of a gossip monger, what our problem really is. There are two ways of making estimates for the Government; I mean of figuring on the financial situation of the Government. One is the appropriations made by Congress, which are nothing but authorizations for expenditure. The Congress authorizes a certain amount of expenditure in a fiscal year. Now, don't take that at face value. That is merely an authorization. What we have got to figure on is providing the amount of money that will be required to meet the actual expenditures in the fiscal years. Now, the expenditures never, as a rule, reach the authorizations, and in the present instance the estimated expenditures of the Government for this fiscal year will

(1) (2)

Investment Bankers of America in convention at Baltimore (Nov. 12-14, inc.) taken on the steps of one of new Naval dormitories at Annapolis, Md.
(1) Lewis B. Franklin, retiring president and (2) Warren S. Hayden, the new president of the Association

be far below the authorizations made by Congress in the appropriations. Reduced to a few simple phases it means this: That considering all the authorizations made at the last session of Congress, and considering all those that will be made at this session of Congress to meet what we call deficiencies or re-estimates, and after allowing for all the financing that has thus far been done, we have got to raise about $10,000,000,000 before the 30th of next June. About $10,000,000,000; that is the maximum. And out of that there will be a sufficient balance carried over upon the basis of the present expense, to make the Treasury very comfortable for the beginning of the next fiscal year, or the beginning of next July, 1918. Now, we have got Liberty Bonds, we have got Treasury certificates of indebtedness and we have got war savings certificates with which to finance that operation. I mean $10,000,000,000 will have to be raised through those channels. Of course, taxation is allowed for in reaching the balance that I have given.

"That is not such a heavy task for America. I have just appointed a committee, or just selected nine of the most prominent business men of America, who have expressed themselves as willing to come to Washington and give their services free to the Government as advisors to the Commissioner of Internal Revenue to consider with him and the staff in that division the many complicated problems which are going to arise out of the interpretation of the tax laws, and we are going to try our best to administer them and to apply them in the fairest and most equitable manner to the business of the country.

Business to Be Protected

"Nobody wants to hurt business. Of course, we don't want to hurt business. What everybody realizes, though, is that it is absolutely essential that we must bear great burdens of taxes. There is no escape from that, and the quicker we resolve to do that thing the quicker we compose our minds about it, the quicker we realize that we must adjust ourselves to this inevitable environment of a great war and quit talking about the evils of it the better off we will be. Suppose there are evils? Suppose it does bear heavily? We have got to stand it; we do not help the situation by grumbling; we do not help it by moaning; that is not the American spirit. (Applause.) Let us, with the resolution which you see in the pictures of Uncle Sam, with set teeth and with fire in the eye and determination in the face—let us resolve that we are going to meet those burdens, that we are not going to whine about them. (Applause.) We are going to meet them in the same spirit that the man with the Springfield rifle meets the enemy upon the field of battle.

Who is there that wears the uniform of the country; who is there that loves the flag that is willing to make his patriotism known in per cent in this great time? Why, my friends, when you think about it, it does not amount to anything in comparison. We have got to set our teeth and go forward, and the more resolute we are, and the more determined we are, the more intelligently we go forward, the quicker we are going to get these readjustments and the quicker we are going to come into the business sunlight again. I do not mean to say that the sunlight of business has disappeared, but there are dark spots upon the landscape, inevitably so, just as much so as there is a blot upon the landscape of those gory battlefields of France, when a powerful explosive shell tears up the earth. Those shells do not only tear up the earth in France, they are tearing up the earth of America today, figuratively speaking, because we are involved in the struggle just as much as if those battles were actually fought upon the soil of America. Thank God they are not fought here yet, and with American spirit and resolution and with the determination to back our gallant men when they go upon the fields of battle, we will never let it come upon the soil of America. We will fight it to a finish in Europe, and when we have accomplished this great task, when we have made America safe again, when we have gone through the crucible and purified the national spirit, when we have elevated America in the scale of civilization and emerged as the most dominant and powerful moral force the world has ever created, then we will have proved ourselves worthy of the God-given liberty our ancestors gave to us.

The Magazine of Wall Street,
42 Broadway, New York City.

Gentlemen: At various times, in the columns of your magazine you have suggested to your readers, "If you have an idea, shoot it in."

I am complying by sending a single sentence which possibly you will find a place for. Since the composition so far as I know is my own, I see no reason why my own name should not be attached.

"The poverty of this world has been acquired by just as devious ways as has its wealth."

Yours truly, OTIS HAGER.

The Problem of the Woman Investor

How She Should Solve It—Pitfalls to Avoid—The Get-Rich-Quick Evil—The Margin Danger—How a Woman Should Invest

By BEATRICE E. CARR

(Daily there is a broader demand on the part of women for investment and financial information, but as yet the opposite sex has not made the progress in these fields that she has elsewhere. THE MAGAZINE OF WALL STREET perceives a real need to be fulfilled along these lines, and has arranged a series of articles for the woman investor, written by women specialists in finance, and women whose names are known nationally. Miss Beatrice E. Carr, author of the article which follows, is connected with a prominent Wall Street banking firm, and her broad experience qualifies her to address the woman investor.—Editor.)

A FEW months ago some sixteen women, connected with prominent New York investment houses, met one evening at dinner. They constituted a little group known among themselves as the "Women in Finance," and took for their topic of after-dinner discussion "The Problem of the Woman Investor."

Nearly all of these women had come in actual contact with the "woman investor." They had, on occasion, marvelled at her astuteness, her grasp of financial affairs; more frequently they had been confronted with tragedy as they heard of dissipated funds; of "wild-cat" mining schemes; of defunct corporations of which only the wonderfully engraved stock certificates remained; of "inside tips," credulously swallowed, which had left only an aftertaste of exceeding bitterness.

The women investors—the "widows and orphans," beloved of fiction and the drama; the brave, self-reliant, hard-working business women; the women left to handle the financial affairs of the family while husbands or sons are fighting, "to make the world safe for democracy"—how shall they be brought to a realization of their fiscal responsibilities; be educated, advised, protected—even from themselves?

For the purposes of this article, the woman investor may be divided into three distinct classes.

There is the independent woman of large means, whose financial affairs are usually entrusted to some responsible agent or agents, a trust company, a lawyer, or a banker. Financial geniuses of the type of Mrs. Hetty Green are rare and need not here be taken into consideration.

There is the steadily increasing army of business and professional women; clear-sighted, practical, but frequently without a comprehensive grasp of economic factors. There is, lastly, the group of women who, more than any other, form the tragic element in our survey—the women left alone to grapple with problems quite outside the scope of their knowledge, who fall a prey to the many unctuous "get-rich-quick Wallingfords" of finance, sacrifice to a golden dream of future affluence the competence so laboriously acquired by some man for the woman he cared for, and awake to penury.

The Three Classes

Let us subject these three classes to a brief analysis. First, as to the woman of large resources. It may be argued that inasmuch as her affairs are handled adequately by men or institutions properly equipped for exactly that kind of fiduciary oversight, knowledge of such matters on her part is unnecessary. The argument will not hold good. A man may be a good lawyer and yet possess only the most rudimentary understanding of investments; the trust company, while usually of unquestioned probity, *may*, by reason of the multiplicity of its duties, be negligent in the performance of its trust; even the banker is not infallible. A sound, workable knowledge of the fundamental principles underlying successful investment will save such a woman much anxiety, and will stimulate, if not insure, care on the part of those entrusted with the management of her affairs!

The business or professional woman merits to an even greater degree serious consideration. Frequently, as already

stated, she is possessed of a grasp of general business principles which stands her in good stead, but often she has specialized along the line of her chosen life-work with but little time or inclination for extraneous subjects. Step by step, dollar by dollar, the modest reserve fund has been built up. It is the fruit of much earnest effort, of much real, often bitter, self-denial. The money has perhaps been lying in the savings bank, drawing a scant 3½ or 4 per cent. One morning her mail brings to her a flamboyant circular, setting forth in glowing terms the wonders of the "New Era Gold Mining Corporation." There is an imposing list of directors; realistic photographs of sluices and dredges in operation are attached; there are marvellous statistics of operation; optimistic forecasts of future developments, output and dividends, and the company is even now disbursing 8, 10, perhaps 20 per cent per annum;—now, after barely three years of operation!

An Ancient Tale

The 4 per cent in the savings bank looks pitifully inadequate, the prospective 20 per cent wonderfully alluring. Our professional woman perhaps does not know anyone with whom she can consult on such a matter; she reads, and reads again, and is conquered. In due course she receives a beautifully engraved stock certificate with an imposing gold seal in the corner. Later, a real dividend check, perhaps even two, or three, fills her heart with delight and causes her to congratulate herself on her business acumen. Then, an apologetic circular, perhaps even an appeal for more funds. "Unexpected difficulties have been encountered," but success, like the pot of gold at the foot of the rainbow, lies just ahead. Like the mythical pot of gold, it is never attained, and the next thing the unhappy investor hears about the "New Era Gold Mining Corporation" is that the company has been "proclaimed" by the state for non-payment of taxes.

It is not desired to give the impression that every circular of every gold mining corporation is necessarily fraudulent, but it is earnestly urged that the rank and file of women investors will do well to let the glittering propositions of this character which come to them, severely alone, or at least submit them, before parting with money, to the scrutiny of some reliable investment house and request a thorough and impartial examination.

The third class of woman investor usually presents the most difficult problem of all. She has probably been left a widow, perhaps with no will and no executors, and her affairs are entirely in her own hands. She knows little or nothing of investments—she and her husband have seldom, if ever, discussed "business," and she rather prides herself on having "absolutely no head for figures." Her list of securities is, on the whole, a good one. There may be a few shares of "obsolete American securities," such as nearly every man, no matter how successful, acquires like barnacles in the course of a lifetime, but in the main the list comprises sound, dividend-paying railroad stocks, perhaps a little "Steel"; a few good municipals, and some high-grade corporation bonds.

"Sell Something"

The woman investor of whom we are thinking is not only ignorant of security values, but probably finds it difficult to maintain her expenditures on a sound economic basis. She has always been used to a "charge account," and has seldom even seen the bills, much less paid them. She begins to find the intervals between January and July interest periods distressingly long. Then one day the real or fancied necessity for the expenditure of a considerable sum confronts her—the acquisition of a summer bungalow or a new car seems the imperative need of the hour. She takes her list of securities to a broker, tells him she "*must*" have some money "*at once,*" and instructs him to "sell something." If the broker is conscientious and fully understands his business, he tries to learn her reason for selling and either dissuades her or, after a careful examination of her holdings, endeavors to make an adjustment that, while giving her the necessary cash, will prevent any reduction of income. If he is a rather casual, or very busy broker, seeing no difference between one selling order and another, he disposes of the most readily marketable security, and the widow, following the advice of the "Rubáiyát" to "take the cash and let the credit go," realizes too late the breach in her defences made by this impairment of principal. It may be, also, that through the agency of some unscrupulous salesman she is induced to make what seems to be a most profitable "exchange," with the result that in place of her seasoned securities she finds herself the possessor of a block of bonds or stock of unproven value. Sometimes the change has no injurious effects; the new securities may have real merit, and give a good account of themselves, but to the uninformed investor the matter is largely a gamble, and dependent upon the integrity of the house back of the offering.

Let anyone who thinks my illustrations are overdrawn talk to the sales manager of any reputable investment house and see whether, from his own experience, he will not be able to corroborate them.

The Problem's Solution

So much for the problem. What is its solution; and how can it be attained?

First, the woman investor should realize the desirability of knowing something about her own investments and investments in general. She should understand that, as a general rule, a very high yield means a corresponding reduction in safety. She should learn to know when she would be well advised in purchasing inactive, unlisted securities affording a comparatively large return and when, if her affairs call for ability to borrow or realize quickly, she should place her funds in listed issues possessing a ready market. She should understand clearly what her position is as a bondholder and as a stockholder (many women don't); should be able to distinguish between different classes of bonds and stocks; should have some idea of what is meant by such terms as "equity" and "margin of safety."

She should not throw annual reports and statements of earnings concerning the properties in which she is interested in the nearest waste paper basket, but should endeavor to analyze them, in order that she may judge of the soundness of her investments therein. With so much literature on the subject of investment pouring out almost daily from investment houses, banks and the public press, the ignorance on such matters which formerly prevailed, is now inexcusable.

Such general knowledge, however, must not be made to supplant the expert advice of the investment banker, any more than an understanding of the general laws of hygiene can be substituted for the diagnosis of the physician. What is more, just as the physician, if called in time, can frequently avert physical disaster, so the expert in the investment field, if consulted at frequent intervals, will often be able to prevent a financial breakdown. One of the commonest causes of diminishing income from securities held by women is the neglect of this precaution. Conditions change; the bonds or shares which were "gilt-edge" only a few years ago, may be highly speculative or absolutely unproductive today. Opportunities for judicious "profit-taking" may have been overlooked—and lost. Inherent weaknesses may not be discovered until it is too late and the investor finds that not only has her income from some particular security ceased, but that she is faced with an assessment in When women come to a realization of the fact that a periodical financial overhauling is as much of a necessity as, for instance, the regular visits to the dentist, they will have taken long strides in the matter of their investment education.

How a Woman Should Invest

In what securities should a woman invest?

Time was, when such a query would inevitably have brought forth the reply: "Oh, in 'legals' for savings banks, of course." The "h. c. of l." has modified that recommendation somewhat. The woman investor is no longer content—cannot afford to be content with a list of investments made up entirely of securities of this class. She is finding it necessary to average up her yield with some good listed industrial, perhaps, or a sound and seasoned Public Utility bond, and lately her attention has been directed to the possibilities of the various foreign loans now on our market.

Her choice of investments should, of course, be guided by circumstances. If her income is sufficiently large to be subject to the Super-tax, she may find it to her advantage to invest heavily in Government Bonds and high-grade municipal issues. But be her income large or small, her investments few or many, some portion thereof must now be "earmarked" not only as a patriotic duty, but from sound business principles, for the purchase of the safest security in the world—non-taxable, readily marketable and literally "as good as gold"—*a United States Liberty Bond.*

Speculation

So far, we have touched only on the matter of *investments.* There remains the great question of *speculation.* Should a woman buy and sell stocks as a speculation, either outright or on margin? Frankly, as a general rule, my advice would be that of Mr. Punch to those about to marry—*"Don't."* To be successful in the stock market requires more concentration, coolness and courage than most women are prepared to give. The temptation is frequently acute. They have men friends who boast of having "cleaned up a nice little bit in Steel," or "Corn Products"; they have seen next door neighbors flaunting forth in a shining new Packard as the result of a deal in "Submarine Boat"; they know of other women who have made a "killing" in some particular security, and the question inevitably arises: "Why shouldn't I do it, too?"

The would-be speculator does not take into consideration the fact that the man who

has made money in the stock market is in a far better position to watch his market closely and with understanding than she is at all likely to be, and that the woman speculator of her acquaintance unless she is herself an expert (there *are* a few of them) is probably following the lead of some man friend. *If* our woman investor herself possesses this understanding of market conditions, or *if* some one in whose integrity and sound judgment she has implicit confidence will watch over her operations as though they were his own, then perhaps some speculative activity on her part may be justifiable. She would then better decide just how much she can afford to lose without impairing the adequacy of her capital. If she loses let her accept her fate in sporting fashion; if she wins, let her place her gains in safe, unspeculative investment securities. It is said that women are not good losers, and that therefore their accounts are frequently not desired. If this accusation be true, here also there is room for education as to the ethics of speculation.

Avoid Margins

As a rule it is inadvisable for women to purchase on margin. The anxiety and nervous wear and tear which are the inevitable concomitant of such a proceeding more than counterbalance any possible profit. The average woman who buys on margin looks for her stock to advance immediately, and proceeds to spend in anticipation the check for her profits which she is to receive next day! Instead, the stock probably goes down, and she is confronted with a call for additional margin. Just as probably it will go up again, if she will only hang on, but she becomes panicstricken; she either cannot or will not advance the necessary money, and her stock is sold at a loss, whereupon she inveighs against the unfairness of Wall Street in general and her own broker in particular.

Many, many centuries ago, a wise old philosopher gave utterance to the following precept:

"Wisdom is the principal thing, therefore get wisdom and with all thy getting, get understanding."

Wisdom—and understanding! Surely, in the acquisition of these two virtues, both for herself and on the part of those who minister to her financial well-being, lies the solution of the problem of the woman investor.

HOW TO CONVERT 3½% INTO 4% LIBERTY BONDS

For effecting conversions of coupon bonds and interim certificates and for conversion of registered bonds two methods are provided. In order to show how the matter of interest is adjusted, it may be of importance to describe how the conversion of coupon bonds and interim certificates can be made.

To effect conversions as of November 15, with automatic and exact adjustments of interest, and without any payments to the United States, coupon bonds or interim certificates of the first Liberty Loan must be presented and surrendered for conversion on or after November 8, but not after November 15.

All coupon bonds so surrendered must have attached thereto all coupons, including that maturing December 15. The 4% convertible gold bonds of 1932-47 delivered upon conversions, both of coupon bonds and of interim certificates so surrendered, will have attached thereto (adjustment) coupons maturing December 15, covering (1) interest at the rate of 3½% per annum from June 15 to November 15 and (2) interest at the rate of 4% per annum from November 15 to December 15.

To effect conversions as of December 15, coupon bonds or interim certificates of the 3½s must be presented and surrendered for conversion after November 15, but not after December 15.

Except in cases where exact adjusements of interest are requested, all coupon bonds and interim certificates so surrendered after November 15, but prior to December 15, will be deemed to have been so surrendered for conversion as of December 15, and no payments to the United States to adjust interest will be required.

All coupon bonds so surrendered after November 15, but prior to December 15, must have attached thereto all coupons, including that maturing December 15, and the 4% convertible gold bonds of 1932-47 delivered upon conversions, both of coupon bonds and of interim certificates so surrendered will have attached thereto coupons maturing December 15, for interest at the rate of 3½% per annum from June 15 to December 15.

What Every Investor Ought to Know

John K. King Learned That a Price Decline Does Not Always Mean a Value Decline—Values Versus Price Fluctuations

By JAMES KENNEDY

WHAT do quotations mean to the investor?

John K. King had invested half a million dollars. One of the principles which he had absorbed as essential to his investing welfare was the constant observation of his purchases. Part of this observation creed was the scanning of the newspapers for quotations on his investments.

Excess in any human act is detrimental and is apt to warp a true perspective. Did you ever notice a man or woman with high strung nerves reading the advertisement of a patent medicine? After the advertisement has been mentally absorbed, the reader, with high strung nerves, immediately discovers within himself all the symptoms enumerated in the advertisement. He or she has a lame back, pains in the head, liver trouble, etc., etc., which symptoms had never been in evidence before reading the advertisement for the green pills of Dr. Whatnot.

John K. King watched with growing alarm the slow but gradual decline of quotations for the Canadian Pacific 6 per cent. notes which he had purchased; he viewed with inward apprehension the decline in his Wilson & Co. 1st 6 per cent. bonds; he could not understand why U. S. Steel 2nd s. f. 5 per cents. were selling under 100. But these items were minor mental troubles compared with those brought on by the decline of his Southern Pacific from 90 to 80 or his Northern Pacific from 97 to 85. John K. was a man of action, and he determined to find out "why?" so he wrote his investment adviser. The letter to his favorite Analytical Bureau was as follows:

The Letter of Doubt

GENTLEMEN: Hardly a month ago I wrote to you submitting a list for the investing of a half million dollars. Out of this list you recommended a number of issues and, in addition, suggested other items of corporate investment. I believed in your judgment and made the purchases. You advised me to keep in constant touch with these investments and to come to you when I believed that there was anything the matter with any of them. So far as I can observe, everything is the matter with all of them. Each day the newspapers print quotations a little lower. Have I invested my half million in New Havens, Rock Island Companies and Missouri Pacifics? If this situation keeps up, I shall lose faith, not only in you but in all investments. It will be much better for me to follow the plan of my old associate, James Carson.

Carson bought whatever his friends told him to buy—when he had surplus to invest—and paid little attention to the investments from the viewpoint of learning about them. He took a chance. One day Carson wanted to buy a house, so he dug into his safe deposit box for the wherewithal. On opening the box he noted that it was quite full. He did not fancy the idea of paying rent for a larger box, so he took out of the box the bonds which took up the most room. They happened to be the old Rock Island 4 per cents. of 2002. He sold the bonds, got the money, and built his home. The home had not been completed before those bulky bonds were quoted 40 points lower and later became waste paper. Jim always claimed that his home cost him nothing.

I don't know what Carson's capital looks like now, but I will venture that it is not much worse off than mine. I am commencing to lose sleep over this situation, and it is up to you, gentlemen, who make a business of this investment situation, to tell me whether or not I should worry. You told me one time that if the New Haven "sleepers" had watched the papers, they would have wakened before the horn of Mellen blew the final warning note. I am trying to keep awake, but I do not wish to contract insomnia.

Yours in alarm,

JOHN K. KING.

The newspaper daily quotations were having the same effect on John K. as the patent medicine advertisement on the nervous patient. John K. King was perfectly right about price quotations being future horoscopes for investments but the analogy of a bond price change and a stock price change is not a true analogy. A few days after sending the letter of doubt, John K. received this answer in his mail:

The Value of Quotations

DEAR MR. KING:

You are unduly alarmed about your investments, but you have assuredly taken the right method of procedure; for it is your duty to

yourself to either allay your fears or learn the worst. Your opinion that quotations are an indication of value is not always right, but whenever there is a violent change in quotations on your investments the reason should be searched for.

Just at the present time, quotations as a whole do not represent value. A condition exists which eliminates the value of quotations as an indication of the worth of an investment. The principal consideration in the minds of our financiers, merchants and statesmen is to win the war. There is no reason to bother about the prices of securities just now and they will have to take care of themselves. World factors are influencing prices, which have little, if anything, to do with individual values, and you must appreciate this fact in connection with yourself.

We cannot tell you when the decline for this reason will be at an end, and, on the other hand, if we had suggested that you wait before investing your half million, world factors might have been very different and you would have paid much higher prices for your investments. Please remember, Mr. King, that you are an investor, not a speculator. You do not have to sell, and if you did sell, how do you know but that you would reinvest in something which is not as good as you now have?

Your trouble lies in the fact that you do not understand the relative value of quotations. Permit us to make some suggestions to you regarding this feature so that you may not be subject to needless future worry.

Bond Quotations

In making your investments you first satisfied yourself as to the reputation and solvency of the company, irrespective of the name or definition of the bond purchased. Take the case of the Wilson & Co. 1st 6 per cent. bonds. They have declined about two points from the purchase price. Now, if Wilson & Co. 6 per cents. had been the only first mortgage industrial bonds to decline, there would be reason for your apprehension. But, if you will examine the whole list of *this same class of bonds,* you will discover that Wilson & Co. 6's did not decline to the extent of the average of all taken together. You are therefore fortunate and it would appear that holders of these bonds were not of the weak financial class who were compelled to sell at a sacrifice.

Your Canadian 6 per cent. notes have fallen three points. You have read in the daily prints of the exceptional decline of the stock due to conditions in Canada. You have been told that the market for these bonds or notes is "over the counter" and not on an exchange, and you of course realize that thousands of Canadian holders were forced to sacrifice this investment to meet war demands. These factors are sufficient to cause the depreciation which in no way affects the underlying value, of the bonds or notes.

Where Security Prices Are Made and Unmade—Floor of N. Y. Stock Exchange

There are a number of factors which enter into the decline of bonds.

1. Trading Considerations.—For some reason financial interests may decide to try to bring about a lower price in the stocks of a corporation. One of the first methods used is to create an atmosphere of fear by depressing the price of the bonds. As soon as this is begun, nervous investors, without investigating, approach a panic condition and accelerate the downward movement by throwing over their holdings at any old price. Another similar situation may be created by the necessity of selling these bonds to liquidate some unpaid loan or of satisfying legal requirements by

liquidation of the holdings of the estate of some prominent man. These reasons should be discovered, if possible, before you decide to sell. Having learned the true cause, you will appreciate the temporary factors and save yourself considerable loss.

2. GENERAL CONDITIONS.—A world war, a large number of Liberty Loans, a period of general business depression, a money panic such as occured in 1907—these are a few of the factors which you must appreciate as having nothing to do with the *real* value of your bond investment. Many bond investors are not unlike speculators who worry along during a general depression and then sell their holdings at the very bottom, just before these conditions change for the better.

3. WEAKNESS IN THE COMPANY ITSELF.—Here, Mr. King, is the time when you must take action. As an investor it is the only time when you should take action, unless you attempt to become semi-investor, taking advantage of the first two factors mentioned above. When your bond fluctuates widely and abandons the average movements of others of its class, the company is in trouble. Investigate rapidly and accurately, and when you are satisfied that things are wrong, sell at once at the best obtainable price.

Stock Quotations

In going over your preferred stock list, we find that you purchased the securities of five corporations. We find that your Southern Railway preferred has declined 5 points; Cities Service preferred, 5 points; Kansas City Southern preferred, 7 points; American Sugar preferred, 8 points, and Bethlehem Steel new 8 per cent. preferred has advanced 4 points. Taking into consideration the fact that the general decline in all preferred stocks has been a little over 6 points since you made your purchases, we certainly cannot find anything alarming in the situation from your viewpoint.

Had American Sugar preferred declined 15 points instead of 8 points, during this period, we might have found a factor either in the company or the industry to suggest serious enough trouble and cause an immediate "switch" into another stock.

None of your preferred stocks therefore have reached a condition to bring about a state of chronic insomnia or worry.

The Common Issues

You are satisfied with the status of the Consolidated Gas Company of Baltimore. The stock is listed, but it is not actively traded in so that its drop of 7 points to 100 from your purchase price only corresponds with the general situation.

Southern Pacific and Northern Pacific, which have depreciated in price respectively 9 and 12 points, are not dissimilar in any way from other railroad stocks throughout the United States. You have been acquainted with the troubles of the railroads and you appreciate the fact that the rails are the arteries of our country, and without them the life blood of the nation could not flow. The destruction of these arteries would mean the annihilation of the whole economic structure of the country and these roads are two of the main arteries.

Of the decline of 6 points in National Enameling & Stamping there is no need of comment. The investment is fortunate.

There is cause for apprehension regarding the National Biscuit common, which you purchased at 102 and which is now 80-86. The decline is greater than in your other ventures and we must investigate the reasons.

In our former analysis we suggested to you that this was essentially a peace stock and late indications are that the war will continue longer than any of us supposed. Naturally, the time for appreciation in the affairs of this company is just that much longer postponed.

We suggest that you purchase more shares of National Biscuit at around 85 and average the total cost.

Very truly yours,
ANALYTICAL SERVICE BUREAU.

Conclusions

John K. King learned that the decline in quotations of his investments was not always caused by difficulties in the affairs of the corporations in which he was interested. He learned that a decline in prices did not necessarily mean a decline in value and therefore it was not necessary for him to either worry or become panic stricken. He realized that, being a comparatively rich man, it was his duty to investigate, and having satisfied himself that his corporations were wholesome, he must take the depreciation in prices as a loyal citizen.

He learned that it was wise to investigate any change in quotations which looked serious, but that unless an investment ran away from the general average movement of other investments of the same class, the price factor was not to be seriously considered.

He learned that there are three basic factors for the decline in bond prices and that the only one which should cause him any apprehension was the factor which took into consideration adverse situations affecting the corporation itself.

He learned that the habit of worry and loss of sleep over investments is sure to blur his judgment and cause him to take action detrimental to his own welfare.

BOND BUYERS' GUIDE

A Classification of Listed Bonds

Arranged by F. M. Van Wicklen

THE following table includes most of the *active* bonds listed on the New York Stock Exchange. An endeavor has been made to arrange these bonds in the order of their desirability as investments, based upon a combination of two factors, namely, security of principal and income return.

In many cases it is difficult to determine whether a certain bond should be rated above or below another, and in this respect the investor who has uppermost in mind security of principal will no doubt differ as to classification with one who is concerned primarily with the amount of income received from the investment, and *vice versa*. The arrangement below, however, attempts to balance these two factors.

FOREIGN GOVERNMENT BANDS

	Approximate price	Yield about, per cent.
U. K. Gt. Brit. & I. 5½s, Feb., 1919	96½	8.70
U. K. Gt. Brit. & I. 5½s, Feb., 1918	99⅝	8.40
French Govt. 5½s, April, 1919	94¼	10.15
U. K. Gt. Brit. & I. 5s, Sept., 1918	97½	8.75
U. K. Gt. Brit. & I. 5½s, Nov., 1919	94½	8.60
U. K. Gt. Brit. & I. 5½s, Nov., 1921	91½	7.90
Am. For. Sec. 5s, Aug., 1919	93⅛	9.50
Anglo-French 5s, Oct. 15, 1920	90	8.90
Dom. Canada 5s, April, 1921	94½	6.90
Dom. Canada 5s, April, 1926	90½	6.50
Dom. Canada 5s, April, 1931	90½	6.05
French Cities 6s, Nov., 1919	83	16.50
Paris 6s, Oct. 15, 1921	82½	11.50

R. R. BONDS LEGAL FOR NEW YORK STATE SAVINGS BANKS

First Grade:		
C. Burl. & Q., Ill. 3½s, 1949	76	5.00
Nor. Pacific p. l. 4s, 1997	81¼	4.95
C. & Northwest, Gen. 4s, 1987	81½	4.95
So. Pac. Ref. 4s, 1955	81	5.15
At. Coast Line 4s, 1952	81½	5.15
Atch. T. & S. Fe Gen. 4s, 1995	81¼	4.95
N. Y. Cent. 1/3½s, 1997	72	4.90
Lake Shore 1/3½s, 1997	73½	4.80
Union Pac. 1/4s, 1947	88	4.75
Pennsylvania Cons. 4½s, 1960	98	4.60
Norf. & West. Cons. 4s, 1996	87	4.60
C. M. & St. Paul Gen. 4s, 1989	76½	5.25
Union Pac. Ref. 4s, 2008	78	5.15
Lou. & Nash. Unified 4s, 1940	87	4.95
Pennsylvania Gen. 4½s, 1965	90¼	5.05
Cent. New Jersey Gen. 5s, 1987	101½	4.95
C. Burl. & Q. Gen. 4s, 1958	83	5.00
Nor. Pacific Gen. 3s, 2047	59½	5.10
Alb. & Susq. 3½s, 1946	74½	5.20
Ill. Cent. Ref. 4s, 1955	78½	5.30
Gt. Northern 4¼s, 1961	89	4.90
M. St. P. & S. S. Marie Cons. 4s, 1938	85½	5.15
Balt. & Ohio p. l. 3½s, 1925	86	5.70
Second Grade:		
Balt. & Ohio Conv. 4½s, 1933	77½	6.90
C. M. & St. Paul Conv. 4½s, 1932	73½	7.50
C. M. & St. Paul Ref. 4½s, 2014	67	6.80
C. M. & St. Paul Ref. Conv. 5s, 2014	82¾	6.10

	Approximate price	Yield about, per cent.
Balt. & Ohio Ref. 5s, 1995	82½	6.10
N. Y. Cent. Ref. 4½s, 2013	88½	5.10

R. R. BONDS NOT LEGAL FOR NEW YORK STATE SAVINGS BANKS.

First Grade:

Chic. Burl. & Q. Joint 4s, 1921	93	6.20
Union Pac. Conv. 4s, 1927	83½	6.35
Southern Ry. Cons. 5s, 1994	93	5.40
Cent. Pac. Ref. 4s, 1949	78¾	5.40
Col. & So. 1/4s, 1929	83	6.00
Seaboard A. L. 1/4s, 1950	73	5.85
Kans. C. So. 1/3s, 1950	60¼	5.65
N. Y. Comr. 4½s, 1953	90	5.10
N. Y. Cent. L. C. Coll. 3½s, 1998	67½	5.20
At. Coast L., L. & N. Coll. 4s, 1952	77	5.50
Oregon Sh. L. Ref. 4s, 1929	83	6.00
C. Rock I. & P. Gen. 4s, 1988	75	5.40
Lake Shore Deb. 4s, 1928	85½	5.75
Reading Gen. 4s, 1997	84½	4.75
Virginian Ry. 1/5s, 1962	91½	5.50
Atch. T. & S. Fe Conv. 4s, 1960	85	4.85

Second Grade:

So. Pac. Conv. 4s, 1929	77½	6.75
So. Pac. Conv. 5s, 1934	88⅞	6.05
Erie Cons. 4s, 1996	70	5.80
St. L.-San Fran. p. l. 4s, 1950	55¼	7.75
St. L. So. West. 1/4s, 1989	66	6.15
Kans. C. So. Ref. 5s, 1950	78	6.60
C. C. C. & St. Louis Gen. 4s, 1993	60	6.80
Ches. & Ohio Conv. 5s, 1946	73	7.25
N. Y. Cent. Conv. 6s, 1935	94½	6.50
Col. & So. Ref. 4½s. 1935	75	7.00
C. M. & St. Paul 4s, 1925	76½	8.10
Southern Ry. Dev. 4s, 1956	58½	7.25
C. Rock I. & P. Ref. 4s, 1934	62½	8.10
Chic. Gt. West. 1/4s, 1959	57	7.25
Mo. Pac. Gen. 4s, 1975	53½	7.65
West. Md. 1/4s, 1952	61	7.00
Erie Gen. 4s, 1996	49	8.25

INDUSTRIAL BONDS.

Western Electric 1/5s, 1922	97½	5.50
Beth. Steel Ref. 5s, 1942	88½	5.85
Central Leather 1/5s, 1925	95	5.80
Nat. Tube 1/5s, 1952	95½	5.30
Indiana Steel 1/5s, 1952	96½	5.25
U. S. Steel s. f. 5s, 1963	98¾	5.10
Gen. Elec. Deb. 5s, 1952	97	5.20
Rep. I. & Steel 5s, 1940	94½	5.40
Lackawanna Steel Cons. 5s, 1950	88¾	5.75
Wilson & Co., 1/6s, 1941	97	6.25
Va.-Car. Chem. 1/5s, 1923	94	6.20
Inter. Mer. Mar. 1/6s, 1941	91	6.75
U. S. Rubber Ref. 5s, 1947	76½	6.85
Am. Agri. Chem. Conv. 5s, 1924	92	6.50
Chili Copper Conv. 7s, 1923	97¼	7.50

PUBLIC UTILITY BONDS.

Consol. Gas N. Y. Conv. 6s, 1920	99	6.45
Am. Tel. & Tel. Coll. 4s, 1929	82	6.15
Int. Rap. Tran. Ref. 5s, 1966	82½	6.15
Am. Tel. & Tel. Coll. 5s, 1946	93¼	5.45
N. Y. Telephone Gen. 4½s, 1939	90½	5.25
Int.-Met. Coll. 4½s, 1956	51	8.90

Bond Inquiries

An Attractive Industrial Bond

G. R. H., Chicago, Ill.—Texas Company Debenture Gold 6s are bonds issued by the Texas Company. The authorized amount is $20,000,000, of which $14,700,000 is outstanding. The bonds are dated Jan. 1, 1911 and are due Jan. 1, 1931. The interest is paid at New York. The denomination is $1,000 coupon bonds. They are registerable as to principal and are redeemable at 105 and interest Jan. 4, 1915, or on any interest date thereafter, but not less than $100,000 in any single installment (except for sinking fund) on twenty days' notice. These bonds are entitled to a very high rating since the earnings of the Texas Company have shown a very remarkable and steady growth and now cover the interest charges on the bonds by an exceedingly large margin.

Comparative Bond Values

F. F. W., Terre Haute, Indiana.—We do not consider bonds of small public utility corporations, such as Southern Illinois Light and Power Company and North Shore Gas Company, attractive in comparison with bonds of the Standard Railroads and of the well known Public Utility Corporations, for example: Chesapeake & Ohio, convertible 5s; Southern Pacific, convertible 5s; Consolidated Gas of New York, convertible 6s; Northern States Power 6s due 1926, or Virginia Carolina Chemical debentures 6s.

A Business Man's Bond

N. S. L., Somerville, Mass.—Southern Railway Development and General 4s of 1956, at current prices, may be regarded as a very attractive business man's investment. The bonds certainly appear to be selling low enough to have fully discounted unfavorable factors. They are a direct obligation of the Southern Railway Co. secured by a direct lien on 3,381 miles of road and appurtenances, by collateral lien on 1,174 miles, by pledge of leasehold interests on 1,813 miles on security, equipment, etc., and on any other property of the company hereafter acquired with the proceeds of the bonds. They are authorized to the amount of $200,000,000, outstanding $6,333,000, in company's treasury $199,000, pledged to secure 5% notes, due 1919, $43,500,000, and reserved for additions and betterments to retire equipment obligation and certain prior liens for which consolidated 5s are now reserved, to acquire securities, etc., $94,868,000.

This large issue of bonds is secured on practically the entire Southern Railway system, and although subject to many underlying liens on the bulk of the mileage, appears to be fairly well protected. While not to be regarded as on a high investment plane, the continued development of traffic on the system should contribute as an improving strength to the bonds. A good margin of safety has recently been shown, and the indications are that it will be maintained fairly high during coming years.

Switch in C. & O. Convertibles

N. T. N., York, Pa.—You have mentioned in your list Chesapeake & Ohio Railroad Co. *collateral* 4½% and 5% bonds, but as Chesapeake has no collateral bonds outstanding we assume that you refer to the *convertibles.* While the Chesapeake convertible bonds may not be given a high-grade rating, they are among the best of the second-grade issues. The security behind them is good, and earnings results for the last ten years show interest charges earned a little more than twice over. The current relative selling prices of these bonds offer a splendid opportunity for switching from the 4½s to the 5s, especially as the latter carry an attractive conversion privilege. The 4½s are now selling around 70, only four points below the 5s, which are selling around 74. At the high levels of this year—94½ for the 5s and 86½ for the 4½s—there was a difference of eight points between them. Once the railroad situation shows signs of mending, this differential is likely to be accentuated again to the manifest advantage of the investor who makes the exchange now. The 5% convertibles are exchangeable into the common stock to April 1, 1920, at 75, 1920 to 1923 at 80, 1923 to 1926 at 90, 1926 to April 1, 1936, at par.

A Good R. R. Bond

I. H. J., Ardmore, Pa.—Atlantic Coast Line Railroad Co. collateral 4s are secured by the deposit of 51% of the capital stock of the Louisville & Nashville Railroad. They may, therefore, be given a high rating as to security, while safety of interest is attested by the results of the last ten years, which showed requirements on these bonds covered fully four times over. They are a good investment and should be held.

Your Chicago Railways Co. First Mortgage 5% bonds are high grade, but may not be given the first rating. They are very well secured and may be given a high rating in this regard, but interest charges on them are not so well covered by earnings as is the case with other high-grade issues. Results for the last five years show interest charges earned a little less.

Bargain Indicator of Public Utilities

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

	Present Div. Rate	Dividend Yield on Recent Price	Dollars Earned Per Share 1912	1913	1914	1915	1916	1917	Recent Price	Earnings Last Fisc. Year on Recent Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
So. Cal. Edison, com.	$7	8.43%	5.35	7.56	6.07	6.71	8.61	26.21*	83	31.57%	Litigation a disturbing element.
United Lt. & Ry., com.	4	14.54	.....	4.74	3.74	2.41	4.41	8.59*	27½	31.23	Dividend not considered permanent.
Cities Service Co., com.	6	3.19	9.29	10.71	11.28	15.27	36.74	56.51*	188	30.05	Oil production contributes heavily to earnings. Excess profits taxation.
Rep. Ry. & Lt., com.	4	20.00	.....	.....	1.95	2.97	3.55	5.99*	20	29.95	Increase in rates made.
Ohio Cities Gas	5	14.28	.....	.....	.....	1.92	2.30	8.70	35	24.85	Excess profits tax will hurt.
Phila. Co., com.	3½	13.46	6.50	5.41	4.95	4.44	5.14	6.22	26	23.92	Earnings favorable.
Northern States Power, com.	7	12.17	.....	3.00	7.40	12.90	16.87	12.83*	57½	22.31	Favorable position as Hydro-Electric Co.
Am. Pub. Util., com.	0	0.00	.....	5.85	4.69	3.83	5.35	7.18	33	21.75	Dividends not regarded as near.
Columbia Gas & Elec.	4	13.89	0.16	0.25	0.59	0.76	2.31	6.13*	28¾	21.32	Excess profits tax will hurt badly.
Am. W. W. & El., 1st pfd.	7	10.76	.....	.....	.....	9.57	10.18	12.96	65	19.93	Initial dividend declared in August.
Detroit United Railway	8	8.42	16.40	17.04	13.16	15.69	23.05	17.34*	95	18.25	Government price regulation should benefit.
Western Union Telegraph	6	7.40	4.01	3.24	5.38	10.19	13.59	14.16*	81	17.48	War prosperous. Excess profits tax will hurt.
Brooklyn Rapid Transit	6	14.37	8.28	9.17	7.14	7.40	7.53	6.97	41¾	16.69	Difficulty of meeting early maturing notes, feared.
Pacific Gas & El., com.	5	13.51	—1.17	2.84	7.78	10.48	9.10	5.88*	37	15.89	Dividend reduction appears likely.
Consol. Gas Balt., com.	8	8.00	13.12	15.27	11.43	11.56	13.89	15.02	100	15.02	Earnings favorable.
Niagara Falls Power Co.	8	5.06	16.11	18.58	16.84	17.86	23.66	23.45*	158	14.84	
Common Pr. & Lt., com.	4	10.81	6.74	7.44	8.28	7.42	8.80	5.29*	37	14.29	New army cantonments increase revenues.
Montana Power, com.	5	7.63	.....	3.13	2.42	3.73	9.20	8.39*	65½	12.80	Expansion of business rapid.
Am. Lt. & Trac., com.	10	4.92	26.05	25.09	22.32	24.62	25.66	20.77*	205	10.13	Benefited by coal price reductions.
Twin City R. T., com.	6	8.21	7.44	8.69	8.05	6.83	9.22	6.75*	73	9.24	Dividend in no immediate danger.
Am. Tel. & Tel.	8	7.47	9.86	9.59	9.38	9.52	9.77	9.67*	107	9.03	Margin over dividends ample.
Detroit Edison	8	7.47	7.84	8.34	10.52	13.68	13.72	9.63*	107	9.00	
Pacific Tel. & Tel., com.	0	0.00	0.63	1.87	1.89	0.56	1.25	1.79*	20	8.95	Seeks to take over Cal. franchise rights of Pac. States Tel. & Tel.
Mackay Co., com.	6	8.27	5.06	5.09	5.25	5.28	5.36	6.35	72½	8.75	Wireless telegraphy competition a potentially unfavorable factor.
Kings Co. El. L. & P.	8	8.00	9.52	9.29	10.85	11.66	11.88	8.40*	100	8.40	Increased expenses hurt.
Hav. El. Ry., Lt. & Pow. Co., com.	6	6.12	4.21	6.33	6.09	8.94	10.17	7.36*	98	7.51	
Third Ave. Ry., com.	0	0.00	0.08	4.25	3.78	4.19	5.98	0.00	17½	0.00	Improvement in earnings.
Am. Power & Light, com.	4	10.00	.....	6.01	5.24	4.21	6.37	.....	40	.....	Slight increases in earnings.
Cons. Gas of N. Y.	7	8.69	8.91	8.50	8.40	9.29	8.99	.....	80½	.....	Protected on coal contracts.
Laclede Gas Lt., com.	7	7.77	8.40	8.16	8.20	9.24	11.21	.....	90	.....	Earnings ample for dividends.
Mass. Gas, com.	7	8.75	4.34	5.20	5.15	5.13	5.53	.....	80	.....	
North American Co.	5	10.63	7.15	7.01	6.41	6.06	7.26	.....	47	.....	Interested United Rys. of St. Louis.
Peoples Gas Lt. & Coke	0	0.00	7.54	8.25	8.55	8.39	5.39	.....	40½	.....	Turn for better expected.
Pub. Ser. Corp. N. J.	8	7.33	8.21	8.99	6.50	7.88	11.77	.....	109	.....	Increased operating expenses.
Standard Gas & El., pfd.	3	11.11	7.29	3.19	2.63	3.15	5.03	.....	27	.....	Margin over dividend not impressive.

*Estimated.

Public Utility Notes

American Cities—Reports earnings nine months ended Sept. 30, 1917, as follows: Gross, $5,752,365; net after taxes, $2,094,591; gross increase after miscellaneous deductions, $2,062,778; balance after bond and note interests $656,079; surplus after renewals and replacements reserve, $492,375.

American L. & T.—Reports earnings, 12 months ended Sept. 30, 1917, as follows: Gross, $5,397,951; net, $5,028,779; surplus after dividends on preferred and common stocks, $2,235,245. Earnings $4,174,607, after preferred dividends, are $20.78 per share on the common, against $25.83 per share on 182,208 shares outstanding Sept. 30, 1916. In connection with the report Pres. Lathrop remarked to stockholders: "Your company is still passing through a period of high operating costs, prevalent in all lines. It is felt that material costs have reached their maximum. Recent purchases show recessions from high point."

American P. & L.—Earnings, subsidiaries, compare as follows: Sept. gross, $942,377, Sept. 1916, $874,726; net after taxes, $435,516, against $423,179; 12 months gross, $11,065,379, against $10,056,786; and net after taxes, $4,766,945, against $4,645,234.

Boston Elevated—Status of bonds as legal investment for savings will be automatically destroyed by the passing of the dividend. Savings banks have hitherto been the principal market. Pres. Bush says: "Deficit, $309,120 for the six months ending Dec. 31, 1916, was caused by payment of dividends at full rate 6%, with intention of paying such lesser amount during the balance of year as earnings for full fiscal year might justify."

B. R. T.—Public ownership of public utilities under the Hylan administration in New York is not considered seriously by B. R. T. interests. Obstacles are believed to be insurmountable. Irrespective of its possibility, the city and B. R. T. are already partners in operation of the rapid transit lines. The city has built and now owns the Fourth Avenue Subway in Brooklyn, the Centre Street loop, the West End Elevated line, and its bringing to completion the most important unit of all, the Broadway, Manhattan, subway. Appointment of a committee for ex-Governor Foss of Massachusetts, a director of B. R. T., is thought to explain part, at least, of liquidation.

Brooklyn Union Gas—Has asked Public Service Commission for a rehearing of order giving gas companies permission to adopt British thermal unit standard instead of candle-power standard.

Buffalo City Gas—Notice has been issued to holders of first mortgage 5% 50-year gold bonds, proposing to pay out of proceeds of property foreclosed in July, 1917, about 40% of par of the bonds on Nov. 8 at the office of the New York City Trust Co.

Colorado Power—Reports earnings as follows: September gross, $102,632; net after tax, $57,898; 12 months gross, $1,144,057; net, $637,508; surplus, $327,952; net after dividends, $64,338.

Consolidated Gas, N. Y.—Despite rumors has declared the regular quarterly dividend, 1¾%. This belief was occasioned by the decline in the stock to 83 on Oct. 23, the lowest price since March 1, 1907, at which time the company was in the throes of the 80-cent gas law litigation.

Consolidated Gas, Baltimore—Reports earnings, three months ended Sept. 30, 1917: Gross, $2,140,054; net, $954,645; surplus, $456,619; balance, $168,903.

Consumers Gas, Toronto—Report, year ended Sept. 30, 1917, shows: Gross earnings, $4,296,349, against $3,637,806 in 1916; net $953,306, against $919,577; surplus, $436,294, against $380,379.

Detroit Edison—Special meeting of stockholders has been called Nov. 22, to vote on a proposal to authorize issue of $9,000,000 debenture bonds. Company recommended this to have means of providing financial needs should occasion arise.

Detroit United—Report 9 months ended September, shows: gross earnings, $13,418,589, against $12,107,552 in 1916; net, $3,664,206 against $3,840,281; and surplus, $1,873,743, against $2,122,139.

Mass Electric—October gain, $46,000, or 6%, is encouraging when contrasted with the experience of other street railways in Massachusetts which have not had the benefit of increased fares. The management is convinced that the 5¼% increase and 6% gain in October is the product of increased rates authorized last summer.

United Light & Rys.—Earnings, subsidiaries, 12 months ended Sept. 30, 1917, compare as follows: gross, $7,330,179, against $6,760,507; net after taxes, $2,749,981, against $2,676,907; surplus after charges, $1,291,191, against $1,276,214.

Utah P. & L.—Earnings, Sept., and 12 months, including Western Colorado are: Gross, $440,010; net, $236,147; surplus, $115,525; 12 months gross, $4,958,380; net, $2,588,313; total, $2,618,313; surplus, $1,299,166.

Virginia R. & P.—Balance sheet, June 30, 1917, shows profit and loss surplus $971,326, against $840,110 June 30, 1916. After dividends on the pfd. stock, balance available for the common was $2.53 a share, against $4.79 the previous year.

Public Utility Inquiries

Amer. Light & Traction's Decline

A. W. N., Toronto, Canada.—American Light & Traction has in its decline been simply readjusting itself in line with other high-class investment securities. We do not think the stock should be sacrificed by holders at this juncture, although it may very well go lower in a further general declining market. On the face of the company's showing in the last annual report the dividend appears to be entirely safe. The company at the end of last year was in a strong financial position. Its earnings in 1916 were equal to 25.66% on the stock. You should hold this stock.

Detroit United's Position

N. F. B., Duluth, Minn.—Detroit United earned in 1916 approximately 23% on its capital stock as compared with 15.69% earned in 1915, 13.16% in 1914 and 17.04% in 1913. The stock has a very substantial record, both as to earnings and dividends, and in view of the very large earnings of the company, its policy in increasing the dividend on June 1, last, to 2% quarterly, thus placing the stock on an 8% per annum basis, may be regarded as entirely conservative, and there now seems to be no good reason why this dividend should not be continued unless the condition of sharply increased expenses is aggravated for a prolonged period. We are disposed to regard the stock as a very conservative investment at this price, although owing to the uncertainties in the market situation we would hardly venture the prediction that it has struck bottom.

Interboro's Dividend Possibilities Poor

F. D. B., Springfield, Mass.—Interborough Consolidated is so far removed from dividends that we consider the stock unattractive even at its current low selling price. You should sell it and invest the money, or at least have the money ready for investment in established securities which are now available and will no doubt be available at bargain prices. You should wait, of course, for the opportune time to buy again, which time you will be notified of through the Outlook columns of the MAGAZINE. You should follow the Outlook closely at all times.

Consolidated Gas of Baltimore Strong

R. B. F., Martinsville, Va.—Consolidated Gas of Baltimore possesses certain attractive features for speculation and investment, not the least of which is its favorable contract with the Bethlehem Steel Corp. at Baltimore, and also the fact that the company has not suffered to the same extent as other public utility companies from recent large advances in the cost of gas producing fuel, labor and other items of production. This company will be only slightly affected by the increased cost of bituminous coal and oil, and these advantages are reflected in the company's earnings, which continue to show large increases. Notwithstanding these favorable factors in the position of the stock itself, we are not optimistic on the market generally and see no reason to depart from the above advices, consequently do not advise a purchase at this time.

People's Gas and the Future

N. H. F., Springfield, Ill.—Out of regard for the low price at which People's Gas is selling, due consideration must be given to the relatively strong position of the company; to the possibilities of growth in the community it serves, and finally to the thought that present adverse conditions of operation are not likely to outlast the war. Average earnings on $38,500,000 capital stock for the ten years from 1907 to 1916, inclusive, amounted to nearly 8%. Moreover, this average is fairly representative of actual yearly results, the company's earnings record having been unusually uniform. The worst year in the ten, up to 1916, was 1907, when 7.19% was earned. Adverse conditions began to be felt in 1916, when earnings dropped to 5.39%. So far as can be learned from available balance sheets the company should be able to get through the present period of stress without extreme financial difficulties.

Cause of Apprehension on B. R. T.

D. G. G., Parkersburg, W. Va.—Brooklyn Rapid Transit has $57,735,000 5% notes coming due July 1, 1918. There is considerable apprehension as to the ability of the company to take care of this maturing obligation. If present stringent conditions in the investment market continue in effect, the company may have to take drastic measures in order to protect itself. This possibility promotes the fear that dividends will have to be reduced or suspended on the stock. Under the circumstances we cannot recommend it as a purchase, and although we hesitate to advise anyone to take a large loss in the stock, we must say that if held the owner should be in a position to assume the risk of a considerable further decline.

MINING AND OIL

Midwest Oil—Fourth Largest Refiner

A Review of the Earnings and Forecast of the Possibilities of Midwest Refining—Is the Stock Attractive as a Speculation or Investment Around 100?

By ARTHUR N. SLOCUM

IT takes all kinds of persons to make up a world. We have Hindoos, Chinese, Americans and Malayans; we also have investors who would not touch an oil security under any consideration and speculators who desire to trade or invest in nothing but oil securities. It is necessary for a financial publication to cover the entire field of finance, and oil occupies a very important part of this field.

A Developing Industry

On May 2, 1917, the "Wall Street Journal" stated that the Midwest Refining Co. had expanded until it was then the fourth largest manufacturer of gasoline in the United States. Its refinery at Casper is the largest in the West and when the final plans are complete it will be able to handle 50,000 barrels of crude oil a day.

We are, therefore, not dealing with an oil company whose profits depend entirely upon the free giving of Mother Earth, nor are we discussing a prospect. The business of the Midwest Refining Co. is to refine oil of other companies and thus far the business getting end of the company has developed some desirable customers and has likewise gained control of some very desirable properties, as can be noted in Tables I and VI on the opposite page.

Analyzing the Value

It is apparent, after studying Tables I and II, that a certain judgment can be passed on the value of the stock to date. At $105 per share at the time of writing, Midwest Refining is selling at over double its par value of $50. Therefore the current quotation assumes a value of over $50,000,000 for the property. It is interesting to note that in September, 1915, before market activity commenced, the stock was selling at around $35 a share.

For the purposes of arriving at a book value of the stock, it is necessary to take the total assets less the treasury stock, deduct the current liabilities and the reserve for depreciation, and divide the result by the number of shares outstanding. The result is about $51 a share. Before the increase in capital last October the result was $73, and, by using the same process the 1915 figures prove out at $51. Between 1915 and 1916 the $22 increase resulted from the acquisition of the Greybull Refining Co. stock. Inasmuch as the stocks of the acquired companies are carried on the books at the company's own prices, there is no way of getting at actual value. It is doubtful if the stocks are worth as much; for, in the case of Greybull, less than 10% of its property account is shown as a reserve for depreciation. The old timers like Standard Oil and Texas Co. usually charge off 20%. This is done because an oil well is of value only as long as it produces and it cannot produce indefinitely.

Allowing for all the elements of investigation, it is doubtful if the book value of Midwest Refining is much different from its parity of $50.

What Makes the Stock Value?

Having arrived at a book value, why has Midwest Refining Co. sold as high as $190? Why has it fallen to nearly $100? Why are there purchasers of the stock at this price?

1. Earning Power. There are no available figures of the actual profits and costs of this company. It is possible to compare the figures of another plant in similar territory and doing a like business. Table IV shows the refining profit on 39-40 gravity crude on a per barrel basis figuring crude oil at $2.05 a barrel. The Midwest Refining Co. pays an average of only about 95c. a barrel for its crude oil, according to the most reliable data. Hence its net profit on the basis of the figures in Table IV would be $1.00 a barrel more or $1.91½ per barrel crude.

If the company could run 50,000 barrels per day, as is planned, the profits would approximate $30,000,000 or nearly $60 a share on the stock. At the present time the production is nearer 15,000 barrels a day and the earnings are therefore nearer $15 or $20.

Composite Resume of Midwest Refining Co.

TABLE I

COMPARATIVE BALANCE SHEET

Assets—	1916.	1915.	1914.
Property leases and contracts	$17,163,621	$17,321,187	$17,209,503
Investments	A9,927,596	A933,356	29,370
Construction to Dec. 31, 1914	....	200,883	....
Construction	1,555,421	116,196	338,252
Treasury stock	664,000	2,000,000	2,000,000
Deferred charges	19,344	31,621	....
Current Assets—			
Cash in banks	879,033	1,139,781	759,318
Notes receivable	13,978	37,697	39,773
Accounts receivable	1,020,642	580,952	420,450
Refined products on hand	669,874	566,691	368,408
Supplies	296,981	138,388	99,917
Total current assets	$2,880,508	$2,463,509	$1,687,866
Total assets	$32,210,490	$23,066,752	$21,264,991
Liabilities—			
Capital stock	$20,000,000	$20,000,000	$20,000,000
Surplus	8,358,187	1,780,994	738,325
Reserve depreciation	3,007,554	....	....
Current Liabilities—			
Notes payable	300,000	560,000	....
Accounts payable	544,750	725,758	526,666
Total current liabilities	$844,750	$1,285,758	$526,666
Total liabilities	$32,210,490	$23,066,752	$21,264,991
B Net working capital	$2,035,758	$1,177,751	$1,161,200

A—Greybull Refining Co. stock, Pondee Oil & Gas Co. stock, Chatham Refining site, Buffalo Basin, Elk Basin and Grass Creek leases and contracts.

B—Based upon statement of current assets and current liabilities as above.

TABLE II

COMPARATIVE INCOME ACCOUNT

	Years Ending Dec. 31,		
	1916.	1915.	A1914.
Gross revenues	....	$5,439,082	$3,565,738
Expenses, incl. cost of crude oil	....	3,613,695	2,381,389
Operating income	$11,131,627	$1,825,387	$1,184,349
Depreciation off	3,007,554	61,767	493,760
Net income	$8,124,073	$1,763,620	$690,589
Dividends	1,546,880	720,000	....
Surplus	$6,577,193	$1,043,620	$690,589
Indicated earnings per share of stock	$21.00	$4.89	$1.91

A Ten months ended Dec. 31.

TABLE III

1917 DEVELOPMENTS

Capital increased from $20,000,000 to $50,000,000.

First 20 million	$12,000,000	for business, good-will, etc., Midwest Oil Co.
	6,000,000	for purchase Franco Petroleum Co.
	1,336,000	for various corporate purposes.
New Part of authorized increase	5,000,000	offered stockholders at par ($50) for extension and development. One new share for every 4 of the old.

Remainder held in treasury.

During Sept.—New mills reported as active.

Oct. 1, 1917—Net earnings reported at 60% on capital.

Annual dividend rate 8%, or $1 per share quarterly.

Rights were quoted from $28 to $22.

TABLE IV

ESTIMATED PROFITS

Product.	% of Extraction and Price Per Gal.	Profit Per Gal.
Gasoline	33¼%@16c.	5.32c.
Kerosene	21¾%@4c.	.87c.
Gas oil	10% @2¾c.	.28c.
Fuel oil	30% @2 1/7c.	.64c.
		7.11c.

Sales	7.11
Cost	4.93
Net profit per gal.	2.18
Net profit per bbl. (42 gals.)	91.56

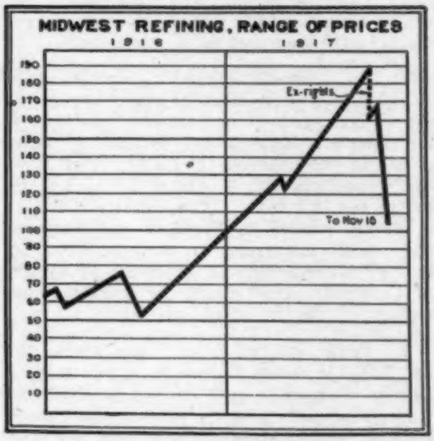


TABLE VI

PROPERTY OWNED

1. Refining plant at Caspar, Wyo.
2. 20-year lease 2 pipe lines.
3. 20-year contracts for all oil of
   - a—Midwest Oil Co.
   - b—Wyoming Oil Fields Co.
   - c—Castle Creek Oil Co.
   - d—Fitzhugh Oil Co.
   - e—Henshaw Oil Co.
   - f—California Oil Co.
   - g—Crescent Oil Co.
   - h—Central Oil Co.
   - i—Barbados Oil Co.
   - j—Bluestone Oil Co.
   - k—Seattle Oil Co.
   - l—Pinero Oil Co.
4. $8,000,000 com. and $1,200,000 of the $2,000,000 pfd. stock of the Greybull Refining Co. which owns
   - a—1,500 acres lands adjacent.
   - b—Grass Creek Oil Fields leases.
   - c—Elk Basin Oil Fields 80% of leases.
5. 150 miles of pipe line,
   22 pumping stations.
   Storage capacity—755,440 bbls.
   1,000 tank cars.
6. Acid concentrating plant.
7. Is continuously buying new leases.
8. Control of Merritt Oil Corp.

TABLE VII

PERSONNEL

Midwest Refining Co. is understood to be under control of Imperial Oil Co., a Canadian subsidiary of the Standard Oil Co.

President—H. M. Blackmer.
Vice-president—T. A. Dines.
Treasurer—H. A. Jones.
Secretary—C. E. Titus.
Transfer Agent—New York Trust Co.
Registrar—Equitable Trust Co.

TABLE VIII

1914.	1915.	1916.	1917.*
0	$2	$3.50	$4

*Not including valuable rights as of Sept. 28, 1917.

The declaration of a stock dividend late in 1917 is rumored only.

During 1915 the company earned $4.89 a share and in 1916 about $21 and news predictions estimate $40 for the current year. The earnings, therefore, are a gamble, but the speculator can feel assured that they will be well above the 8% or $4 a share per year which is now being paid. In fact, there have been rumors of a stock dividend late this year. The cash capital has always been small and to extend means additional financing from the $25,000,000 unused stock authorized.

2. The Personal Element. The Midwest Refining Co. was commented upon in the newspapers last January as follows: "Control of the Midwest Refining Co. is said to have passed to the Imperial Oil Co., Ltd., of Canada. The stock was bought in the open market in the last year." The Imperial Oil Co. is closely related to Standard Oil interests and those interested in the purchase or sale of the security well know the advantage of a company, either directly or indirectly controlled by the Standard interests.

3. Price Fluctuations. The graph under Table V shows the course of prices from 1916 to date. The early history of the company is similar to many others. The stock became publicly known at about $30 and had its ups and downs, mostly ups, until the early part of 1916 found it at a little under 70. The oil boom struck the country and investors and speculators appreciated its possibilities until it soared to 190. During the fall of this year the new $5,000,000 issue was offered to stockholders and the rights figured in value from $28 down to $22. This amount came off the price and then the bear market in all stocks began with a vengeance. Midwest Refining fell horizontally until it rebounded from 100 to 109 during the first few days of November. The reason for its abnormally high price was simply that when poor oil stocks rose high in the "boom" times, the price of a real company went just as high in proportion. The prospects of rights and stock dividends and the uncertainty of this class of security always bring about violent fluctuations either way.

4. The Difficulties Ahead. Maximum earnings can hardly be above $40 to $45 a share on the stock this year. But these earnings do not allow for present taxes and excess profits items. Based on previous earnings, the tax might deprive stockholders of at least 50% of what they could otherwise expect and again, the item of depreciation must be seriously considered. It is also possible to foresee a decline in gasoline prices for the simple reason that the law of supply and demand must operate sooner or later to restore prices to a reasonable level. The Midwest Refining Co.'s big profits are from gasoline. If prices go down, it will be placed at a progressively increasing disadvantage in competing in these markets.

Why are there purchasers of the stock at this price? The answer to this question is more a part of psychology than of economics.

But Midwest Refining is the fourth largest refinery in the country today and there is plently of reason why it should have a good speculative following. In addition to these factors, the financial firms who act as sponsors for Midwest Refining stock are far above the average in resources and reputation.

Midwest Refining could hardly be regarded as a speculative investment at 190. At 130 Midwest Refining had discounted its immediate prospects, and even at 100 it must be considered as a speculation. The market in the stock has evidently been a natural one at all times. The company has been wonderfully well advertised and it was helped along by the general excitement in all oil stocks in the New York market. It is, however, somewhat significant that the Midwest Refining Co. has been far from liberal in its dividend policy if the figure of $21 per share for 1916 may be accepted as the actual earnings. Also, why did the Midwest Refining Co. change its policy with regard to issuing an income statement, which is of just as much interest and importance to stockholders as a balance sheet, if it had nothing to conceal?

Conclusion

It is doubtful if the company will increase its dividend of $4 per share per year even if earnings are double those of 1916, for there are too many difficulties to be met. But 4% return on an oil stock does not mean an investment. Therefore it is on the purely speculative side that the stock must appeal.

The present drop in the price of the stock has made it more attractive from this point of view, but even at this price of 105 there are factors in the general financial situation to prevent any upward movement, and the tax and transportation problems may tend to force the stock still lower.

For the long pull speculation there are attractive possibilities, if the speculator is willing to risk a drop of 20 or 30 points in the interim. Oil is daily becoming a greater necessity in all manufacturing and transportation endeavors and the refiner is a much more stable proposition than the producer.

We are not recommending oil or refinery stocks to either investors or speculators even at these prices, but when we are able to do so, we may suggest **Midwest Refining at 100.**

Oil Notes

California Petroleum—Consolidated earnings, 9 months Sept. 30, 1917, without deductions for depreciation, war taxes or development expenditures, were: Gross, $2,142,264; operating expenses, $473,732; net, $1,668,532; total deductions, $112,485, and net balance, $1,556,047. This compares with net balance $958,292 for the comparative period 1916.

Glenrock Oil—Announces has brought in another well in the Pilot Butte field, making a total of 14 in the field.

Homa Oil—Has in operation 50 producing oil and gas wells. Product is reported as being taken by companies affiliated with the Standard Oil, or other established concerns.

Island Oil—Suit brought for stockholders by Franklin Prentiss, charging acquisition of assets of Metropolitan Co. through fraud by Island Oil, has been dismissed on ground that there was no justification for such a charge or evidence to sustain it.

Kentucky Petroleum—Pres. Pouch reports company has 60 producing wells and seven drilling rigs at work. Income for October was about $25,000.

Kinney Oil—Reports acquisition of 480 additional acreage. Two wells on this acreage are now capped and will be producers when Midwest Pipe Line is completed.

Mexican Petroleum—Suit by Guaranty Trust Co. was decided in its favor recently; was friendly litigation to determine sinking fund technicality. The trust company has no pecuniary interest in the decision, and probabilities are there will be no appeal.

National Fuel—Offers new$3,701,000 capital stock. Stockholders are entitled to subscriptions at par ($100) to an amount equal to 25% of their holdings. Total outstanding will then be $18,504,900.

Ohio Oil—New well on section 9 of Merritt Oil has been brought in by Ohio Oil, joint owner with Merritt, of this location. It is running at the rate of 400 barrels a day.

Producers' Oil—Stockholders, whose stock except two shares has been acquired by the Texas Co., will vote Nov. 29 on the proposition to liquidate the corporation. It is said that at times the Producers' output has averaged above 70,000 barrels a day. Its usual average is 40,000 barrels daily.

Sinclair—Report, quarter ended Sept. 30, 1917, shows gross $3,219,347, against $3,075,-336 for preceding quarter. After income and excess profits tax estimated $335,087, net income after depreciation is $2,093,893, against $2,654,669 net for previous quarter.

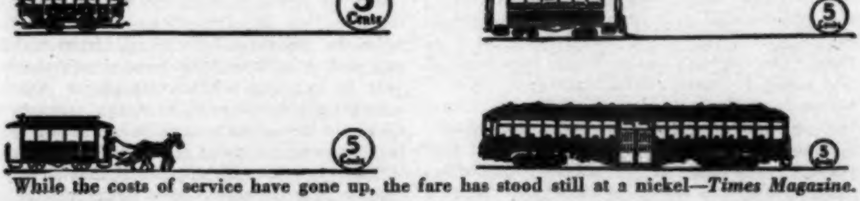
Sinclair Gulf—Is reported to be considering expenditure of $11,000,000 in construction of a refinery and system of pipe lines. The site for refinery embraces 700 acres. It is said plant will cost $6,000,000 and pipe line $5,000,000.

S. O. of California—Gushing high-grade oil over 12,000 barrels a day, Baldwin No. 3 well, which came in recently, continued to shoot petroleum over the top of the derrick at Montebello until Oct. 28, when it was capped. The oil is 24 gravity; it was struck and the water cemented off at 2,000', and from that point to present depth 3,750' drill was continuously in oil sand. Eleven companies are operating in Montebello field.

S. O. of Indiana—Is progressing in plans to acquire producing properties. Company has been credited with seeking oil producing lands in Wyoming, but these reports lack verification. It operates two refining plants in Wyoming. Net earnings in 1916 were $30-000,000.

S. O. of Louisiana—Has increased its capital from $5,000,000 to $10,000,000 to provide for improvements already completed.

S. O. of New York—1917 earnings compare favorably with those of 1916, out of 1916 earnings $36,000,000, dividends have been paid in 1917 at the rate of $9,000,000 annually. In 1916 the company added to surplus $11,000,000 appreciation in value of equipment of Standard Transportation Co. With this item earnings in 1916 were more than $64 a share.



While the costs of service have gone up, the fare has stood still at a nickel—*Times Magazine.*

Oil Inquiries

Texas Company's Market Position

A. W. Y., Chicago, Ill.—Texas Company was fully discussed on page 823 of the MAGAZINE of September 15. We suggest that you study this article. This stock is in rather a vulnerable position, due to the increasing fears of the effect of price fixing, excess profits tax, and although at its present price it has probably discounted most of the nearby unfavorable factors in its situation, the stock is very sensitive to general conditions and it would not surprise us to see it sell lower in the near future.

Since you have such a large loss in Texas Company stock, we hesitate to tell you to sell it, but we can advise you not to let it go much further against you.

A Meritorious Wyoming Oil

D. C. A., Boston, Mass.—Elk Basin is a stock of considerable merit, but at the same time it must be regarded as decidedly speculative. The company has a capital stock of $2,000,000. It operates in the Elk Basin district in Wyoming. The company is controlled by Midwest Refining interests and its production is taken under contract by the Grey Bull Refining Co., a subsidiary of the Midwest Co. The stock was originally offered at $7.50 a share on the New York market.

In a general way, we should say that if you hold your Elk Basin you should do so with the full recognition that you are assuming a considerable risk in doing so. The stock has recently declined in sympathy with other oil stocks and a general market unsettlement. It has also been affected by considerations of the new war taxes and the fears that the Government will finally regulate oil prices. We hesitate to recommend that you take your loss, but advise that you protect yourself from further losses by placing a stop order with your broker. While the decline in securities in general has been very severe, no one can say how much further it will go.

Oklahoma's Increase in Capitalization

A. T. F., Cincinnati, Ohio.—Oklohoma Producing & Refining Co. has much to recommend it as a speculation, but the market position of the stock is unfavorable at the moment because of the uncertainties regarding the Government's policy of price fixation, excess profits taxation, etc., and we do not favor it at this time. The company has expanded very rapidly and seems to have taken advantage of its opportunities; but at the same time its capitalization has been increased along with the expansion and we doubt the conservativeness of the present capitalization. Originally the company's authorized capital stock was $2,000,000. It is now $10,000,000, representing $2,000,000 shares of $5 par value, of which $7,500,000 are now outstanding. It controls several subsidiary producing companies, notably the Osage-Hominy Oil & Gas Co. Dividends are being paid at the rate of 2½ per cent quarterly. Net earnings after dividends for the first half of 1917 were $930,596, or at the rate of 14.8 per cent per annum.

We do not recommend the purchase of this stock at the present time, and we cannot endeavor to tell you what would be a fair price for it. The question of price is largely dependent on changing conditions, and, therefore, "a fair price" today might easily be too high or too low tomorrow.

Reasons for Selling Federal

S. C. E., Camden, N. J.—Federal Oil, although possessing a very promising acreage in the Irvine field of Kentucky, as well as in Mexico, is in a highly speculative position. The stock was liberally distributed last year in the boom in the oils, from around a low of $2 to a high of around $8. If precedent counts for anything, nine times out of ten such periods are followed by declines, the severity of which is gauged by the volume of distribution. Although the stock is not without attractive possibilities, no one can foresee how low the stock might go in a market of this kind. Dividends are not in sight on the common stock, and there is no speculative inducement to hold the low priced oils at this time. We recommend a sale, and advise you to hold your money in hand in the meantime, to wait for a better opportunity to reinvest.

Tuxpam Star's Capitalization

J. G. R., Kansas City, Mo.—Tuxpam Star has little merit so far as we can determine and we do not favor the purchase or holding of the stock. The capitalization consists of $1,000,000, par value of shares 1, of which approximately $600,000 is outstanding. There is no preferred stock or bonds.

Two Oklahoma Oils

E. J. P., Lake Mills, Wis.—Cosden Oil and Osage Hominy are both speculative. With the policy of government fixation of prices on crude oil not yet definitely known, but with the certainty that the price will be restricted so as to prevent oil companies from making any such profits as have been shown the last year or two and with excess profits taxation eating up a large portion of the earnings of all of the newer companies, there is not much to get optimistic about as to these two stocks. We suggest that you dispose of them, for you should have an opportunity now, or later, of investing your money to much better advantage.

International Nickel—Its War-Tax Blight

Heavy Burden of Taxation Which the Company Has to Sustain—Present Earnings and Outlook for Present Dividend Rate—Some Matters of Intrinsic Value Which the Investor Would Do Well to Consider—Nickel's Long-Range Prospects

By BARNARD POWERS

INTERNATIONAL NICKEL is suffering from a bad attack of war-taxitis, an epidemic now very generally prevalent among the corporations. There is but one cure—the ending of the war. It may be cold comfort for the International stockholder who acquired his holdings at above 50 a share to attempt to cheer him up with the remark with which the philosophic Frenchman greets all evils, *"C'est la guerre"* but that is about all that can be said at the present time.

At a recent meeting of the International Nickel's board of directors the company's war taxes on the present taxation basis here and in Canada, were figured and the staggering total of approximately $7,000,000 was reached. Of this one-third represented Canadian taxation and the remainder United States taxation. It seems that in the matter of taxing corporate profits we have gone our neighbors across the border one better, or rather 100 per cent better. What wonder, then, that in regard to the permanency of the present dividend that merely the "hope" was expressed at the board meeting that the $4 rate can be maintained. And what wonder, too, that Nickel's common stock has declined from a high of approximately 56½ for last year to a low of 24⅞ for the current year.

Too Much Pessimism

But things always look darkest at the bottom as well as brightest at the peak. The holder of International Nickel stock would do well in troublous times like the present to recall the splendid earnings record of the company and its intrinsic soundness.

An examination of International Nickel's earnings results over a period of years extending back well before the beginning of the war reveals exidence of war prosperity on a great scale. Average earnings for the five years from 1910 to 1914, inclusive, were approximately 18.8 per cent annually or $18.80 a share on shares of $100 par value. Applied to the $25 par value of the stock as it now exists, these pre-war results would have shown about $4.70 a share available for dividends. This result compares with $7.78 actually earned on the quarter-stock in the year ended March 31, 1917, and $6.70 in 1916. In order to be perfectly fair in our estimate of probable future earnings, as based on past performances, we will make full allowance for the addition to the company's capacity through the construction of the new Canadian smelter which is expected to be in operation at the beginning of next year. It is estimated that this new addition will increase the company's output from 60,000,000 pounds to 80,000,000 pounds per annum, or 33 1/3 per cent. A proportionate increase in earnings would add $1.57 to the above estimate of $4.70, bringing probable future earnings in normal times up to $6.27 a share. It will be immediately seen that dividends at the present annual rate of $6 a share might not be continued after war demands and post-war necessities are satisfied

INTERNATIONAL NICKEL'S INCOME STATEMENT FOR SIX MONTHS ENDED SEPT. 30.

	1917	1916	Change
Earnings	$7,641,850	$7,775,145	—$133,295
Other income	134,427	137,628	—3,201
Total Income	7,776,277	7,912,773	—136,496
General exp.	297,234	563,896	—266,662
Res. for U. S. tax	1,741,140	......	+1,741,140
Net income	5,737,903	7,348,877	—1,610,974
Depreciation	986,129	1,004,630	—18,501
Profits	4,751,774	6,344,247	—1,592,473
Dividends	2,777,454	2,777,454	....
Surplus	1,974,320	3,566,793	—1,592,473

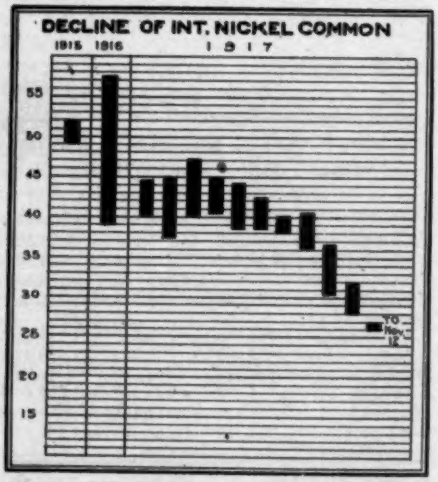
Dividend Record

In this connection, it is interesting to look back over International Nickel's dividend record. The company has always been liberal with its stockholders. Since consolidation, 2

per cent was paid in 1912; 10½ per cent in 1913; 10 per cent in 1914 and 17½ per cent in 1915. In making comparisons with the present yearly distributions it must be remembered, of course, that the payments now made on the quarter-stock would amount to 24 per cent per annum on the old stock. Previous to consolidation, Sept. 5, 1912, 17½ per cent had been disbursed in that year, bringing the total up to 19½ per cent. Back in 1910 there was an extra cash distribution of 25 per cent in addition to the regular 1 per cent and one-half per cent extra, quarterly payments made that year. In fact, so liberal was International Nickel's dividend policy in the five years from 1910 to 1914, inclusive, that, while total earnings available for common stock dividends during the period amounted to $16,564,304, less than $2,000,000 was added to surplus account.

Depreciation Charges

The stockholders' pockets were evidently more in the minds of the managers of the International Nickel Co. than the permanent interests of the company itself. With this



consideration in view, it is well to look into the charges for mineral exhaustion and depreciation of plants. In 1913 the charge against depreciation of plants amounted to 1.2 per cent of the property account; in 1914, 1.4 per cent; in 1915, 1.6 per cent; in 1916, 1.8 per cent, and in 1917, 2.1 per cent. While there has been a progressive increase in this charge over the last five years, it has not been at any time as large as might be expected from the nature of the company's business. This charge-off, however, compares favorably with that made by the American Smelting & Refining Co., which in recent years has charged off about 1.5 per cent of property account to depreciation. The charge-off on account of mineral exhaustion has been a very variable one, but fairly adequate. This item amounted to 6.2 per cent of earnings of all properties after deducting manufacturing and selling expenses, and ordinary repairs and maintenance, in 1917. In 1916, it amounted to 6.4 per cent; in 1915, 5.4 per cent; in 1914, 10.6 per cent; in 1913, 7.3 per cent, and in 1912, 2.8 per cent.

In the company's earnings report—that for the June quarter—a reserve for taxes the company has to pay to the United States and the Dominion of Canada was contained in the "administration and general expense" item, which is placed at $896,367, or more than four times the $222,422 shown in that item for the corresponding quarter in 1916. This large appropriation brought earnings for the quarter down to $1.75 a share on the outstanding common stock, as compared with dividend requirements of $1.50. The final result compares with earnings of $1.89 a share on the common stock in the June quarter of 1916.

International Nickel's balance sheet of March 31, 1917, showed a strong cash position, all purchases of materials, supplies, etc., being paid for in cash. At the close of the fiscal year the cash item showed $6,227,011 on hand, $2,030,000 in certificates of deposit and $515,000 in secured call loans, a total of $8,772,011, probably the best cash showing the company has ever made. It compares with $6,414,436 in 1916, and $6,492,538 in 1915. Working capital stands at $12,063,583, comparing with $10,519,130 in 1916, and $8,406,018 in 1915. No fault can be found with this showing.

As has been pointed out in this discussion there is nothing fundamentally unsound in International Nickel. Its ore reserves are as good as they ever were, that is to say, so vast that the present generation need not be concerned about the matter of ore exhaustion. Demand for the company's production was never better and gross earnings practically at high records. Seven millions in war taxes, however, is enough to chill the enthusiasm of even the most enthusiastic believer in the company, for the time being at least. Nickel's malady of war-taxitis is one that only the end of the war can cure.

The preferred stock with a wide market of 90 bid and 96 asked at this writing, seems absolutely safe as far as dividends are concerned as its annual requirements call for a little more than half a million dollars. Nothing short of actual confiscation of earnings would be likely to jeopardize the preferred dividends. At 95 the preferred yields approximately 6.3

per cent, which, while attractive enough in ordinary times, does not impress greatly in the present remarkable era of high yields.

At 25½ the common yields nearly 16 per cent on its present dividend rate. If there were assurance that the dividend rate could be maintained the issue could be regarded as possessing great speculative attractiveness. But the best that can be said of the dividend is that the directors "hope" that it can be maintained on its present basis. Congress meets again December 1 and whether further tax burdens will be improsed on corporations cannot be forecast at this time.

The writer is inclined to believe that Nickel's present price somewhat overdiscounts unfavorable developments. I believe that if one starts to buy Nickel at present prices and has a long enough purse to purchase amounts equal to the original purchase on every five point decline with the idea of keeping the stock as a long pull investment, that eventually —and the "eventually" means until the war is over—some very handsome profits would be attained.

Owing to nearly a monopoly of nickel ores and to the fact that the demand for nickel seems as certain as anything reasonably can be to go on increasing, the company occupies an unusually sure position as far as the ultimate future is concerned.

Rules for Traders

By LEWIS EARLE

FIRST. Never, *under any circumstances,* overtrade. However sure you may be of your position handle no more stocks than you can swing *with no anxiety or nervousness.* Anyone can make money "play speculating." —get near enough to that point to retain unruffled judgment. Greed has bowled out more men in Wall street than any other two factors. James R. Keene said, "I have seen a great many men come into Wall street to get rich quickly but I don't know one didn't go out broke. I have seen a few men come to get a good return on their money and they have usually become rich."

SECOND. Rothschild said, "I made my fortune by not trying to buy at the bottom nor trying to sell at the top."

THIRD. Particularly in an active market, always place orders *at the market.* If a stock is a buy at 122 it is a buy at 122¼ or 122½. I've missed getting aboard many a time by not operating at the market. See rule one and rule two.

FOURTH. Never speculate with money you cannot afford to lose; or better, that you have not kissed goodbye. See remark on anxiety and nervousness on rule one.

FIFTH. "Cut short your losses and let your profits run." One hundred men can take a big loss to one who has the nerve to hold out for a big profit. And yet only by following this rule can you hope to win out against the handicaps of (a) the psychology of the market, (b) broker's commission, (c) taxes, and (d) "invisible eighth" (or more often ¼ or ½).

SIXTH. Don't let your desires influence your judgment. Usually one who is long of stocks appreciates only the bull arguments.

SEVENTH. If you are a long pull operator trade only when the doings of Wall Street are featured on the front pages of the daily newspapers. These are almost sure to be turning points because they are periods of great excitement, extreme prices, and large volumes. All of which indicate great public participation. And it's a sure win to move against the public.

EIGHTH. Have patience! And then have more patience! In my opinion this is the rarest characteristic amongst speculators. Wait for the right time to get into the market and wait for the right time to get out. Personally, I have found patience the hardest characteristic to acquire. Looking back upon my speculative deals I realize that in the majority of cases I was right on the trend but I bought too soon and sold before I should. Have patience—the market is always there. Lost opportunity may be hard to look back upon but it never broke a man yet. Examine your data, decide when you should buy or sell, and *stick to your guns* so long as the conditions remain unchanged.

NINTH. Re-read rule one carefully.

TENTH. Now read it again and *apply it to* *some of your past deals.* You'll violate this rule in your next campaign unless you are careful. A mighty good plan is to apply this rule conscientiously *to every single commitment you make.*

Mining Notes

Ahmeek—A Houghton, Mich., dispatch Nov. 8, 1917, shipped 110,000 tons of rock, averaging 23 lbs. copper in October.

Alaska Gold—Operations for October reported as follows: Ore milled, 191,610 tons; assay, 1.07; extraction, 79.79%, tailings, 21.6.

American Zinc—Receipt of small orders for high-grade spelter improves the outlook in the industry for the year, and that better conditions would prevail for the higher grade metal. For three months ended Sept. 30 operating profits are $175,000, without allowance for the $250,000 settlement to be made with Minerals Separation Co. Balance sheet Sept. 30 showing net quick assets $4,500,000, includes $2,600,000 in ores and spelter at cost. Preferred dividends, in opinion of officials are secure.

Anaconda—October production is 22,336,460 lbs., against 2,800,000 and 31,500,000 in October, 1916. Production totaled 211,325,000 lbs. for 10 months compared with 248,900,000 lbs. in corresponding period, 1916. Company is said to be increasing holdings in Inspiration, of which it carries about 200,000 shares. No plan of control is under discussion. Both managements are closely allied, with John D. Ryan the dominant factor. Company has 10,000 employees at work. For first time since June night shifts are working in Anaconda Mountain Con, Mountain View, Original, Stewart and Leonard properties.

Arizona Commercial—Mine in 1917 should produce about 3,500,000 lbs., which means for nine months, as it was shut down on account of strike. Net earnings from this will be about $550,000, after taxes, Company has nearly $500,000 in treasury.

Braden—Reports October production as 5,414,000 lbs., compared with 5,348,000 preceding month and 4,048,000 in October, 1916.

Butte & Superior—Produced in October 12,000,000 lbs. zinc in concentrates, and 233,500 ounces silver. Tons mined totaled 41,000, concentrates 12,700, and recovery 96%.

Calumet & Arizona—Reports October production as 4,670,000 lbs., against 5,250,000 in September, 4,296,000 in August and 3,551,205 in July.

Calumet & Hecla—Understood that under its contract with Minerals Separation Company, will pay a royalty of a cent a pound on copper recovered by the process.

Cerro De Pasco—Reports September production 7,325,032 lbs., compared with 7,041,000 in September, 6,035,000 in August and 6,262,000 in July. This production is the largest for any month in its history. Production is running at 87,900,384 lbs. annually. Earnings in current year are likely to be $10,000,000 after taxes, or $10 a share, assuming that the $10,000,000 6% bonds will be converted into stock at 30 a share before the end of the year.

Chile—In first year of operations ended Dec. 31, 1916, earned after interest on bonds and loans, $1,936,391. Earnings for six months ending June 30, 1917, after bond interest and depreciation, are $5,377,743, or $1.42 a share.

Chino—Preliminary figures for October indicate production as 6,333,017 lbs., against 7,719,496 in September.

Con. Arizona—Earnings statement, nine months shows net operating profits $685,776, before deduction for war taxes, against $566,724 in the corresponding period of 1916.

Con. Copper Mines—Is producing 1,200,000 lbs. monthly from 1,800 tons daily, including smelting ore. One 500-ton mill unit is in commission—recovering close to 90% at times and averaging 75%. Company pays the low royalty rate of 4c. per ton for the use of oil flotation under Minerals Separation license.

Con. Interstate Callahan—Produced in October 4,485,920 lbs. of zinc, 911,800 lbs. of lead and 18,000 ounces of silver. Total tons milled were 13,500. Operations are normal.

Copper Range—Is shipping rock to mills at rate of 3,700 to 4,100 tons daily.

East Butte—Production for October is 1,700,000 lbs., or practically normal.

Federal M. & S.—Reports net earnings for September, after deductions, $112,422, against $95,967 for Sept., 1916; an increase of $16,455.

Goldfield Con.—Development work continues in mines and levels, resulting in extraction of large tonnage of ore, some of which is of excellent grade. Principal production has come from Mohawk, Clermont, Red Top, Laguna and Combination mines.

Homestake—Will escape burdensome war taxes and no dividend cut is anticipated, except possible elimination of the Christmas extra of $1.

International Nickel—Dividend has been reduced from $6 to $4 annually. Earnings for six months Sept. 30 show that surplus for period was not sufficient to pay the regular common dividend. Balance after pfd. dividend was only $1.18 a share on the common stock. Gross income for three months Sept. 30 showed loss $1,139,448, compared with previous quarter. Surplus for six months, out of which common dividend is paid, was $1,974,320, showing loss of $1,592,473 from balance for the six months ended Sept. 30, 1916. This was practically entirely due to the reserve of $1,741,140 set aside for war taxes for the period.

Kennecott—Reports October production as 7,116,000 lbs., compared with 7,100,000 lbs. the preceding month and 7,300,000 lbs. October, 1916.

Kerr Lake—Silver output October totaled 213,802 ounces.

La Rose—Is negotiating with Northern Mining Co. to secure the Morrison property near Miller Lake O'Brien. It is understood development of Morrison will be advanced to determine values, which, however, are fairly well established.

Mammoth—Dividend of 10c. a share, Nov. 3, makes $1 paid in 1917, or 100%. Total to date is $2,820,000, or about $7 a share.

Mass Consolidated—Rock shipments have been increased 150 tons daily until they average close to 700 tons.

Miami—Announces October production 2,673,775 lbs., compared with 1,900,000 in September and 4,859,443, October, 1916. 44,500,000 lbs. of copper in 1917 is predicted in reliable quarters. Officials are striving to get out 4,000,000 lbs. in November, and 5,000,000 lbs. (normal production), in December. Officials have not figured out war taxes because of uncertainty as to just what constitutes "invested capital."

Nevada—September production was 6,524,352 lbs., compared with 6,439,984 in August and 7,253,337, July, 1917. Preliminary figures for October indicate 7,000,000 lbs.

Nevada-Douglas — Reports net income $20,000 a month.

New Arcadian—Is making slow progress with its sinking toward the 1,950-ft. level, because of lack of labor.

New Cornelia—October production set a new mark at 3,628,000 lbs. Unofficial advices from Arizona state that 2,200,000 lbs. represented cathode bars. Ore reserves are placed at 75,000,000 tons. Thirty-five per cent. is carbonate and 65% sulphide. Carbonate ores are being treated by the leaching process at a cost of about 9c. a pound. Mining cost is reported 25c. a ton.

New Jersey Zinc—The unfavorable report for the quarter reflects the full effect of lower prices for all kinds of zinc metal, from July 1 to Oct. 1, and advances in the costs of all kinds that enter into the business. Net earnings for quarter ended Sept. 30 $5,593,985, compare with $8,304,511 for same period 1916, a decrease of $2,710,526. After allowing $2,126,317 Federal taxes, balance was $9.57 a share on capital stock, against $23.39 in the same quarter of 1916.

North Butte—Reports Granite Mountain shaft destroyed by fire in June has been rebuilt and preparations completed for the resumption of mining. Output was 1,691,080 lbs. copper and 53,737 ozs. silver for October.

Osceola—Future depends on North Kearsarge and Old Osceola. South Kearsarge is becoming a negative proposition. North Kearsarge rock may show better with greater depth. Old Osceola is confronted with high mining costs. The problem is whether remaining richness of South Kearsarge should be sacrificed.

Quincy—Reports richest copper shoot ever opened is on the west vein at the 65th level.

Ray Consolidated Copper Co. — Preliminary figures of October production indicate 7,770,000 lbs. of copper, against 7,413,881 in September.

Shannon—Following order of the Government mediation commission Shannon Copper will open its mill and smelter on Nov. 15, and 700 miners will return to work.

Shattuck Arizona—Reports net earnings for nine months, Sept. 30, 1917, $1,495,876. Shrinkage in net for third quarter, $138,985, against 1916 figures $660,732, was due to labor troubles in Bisbee.

United Eastern—Reports $115,000 profits in October, versus $120,000 in each of the previous months.

United Verde—Has omitted the usual extra of 75c. monthly with the current regular dividend, the same amount.

United Verde Extension—Reports October production 5,000,000 lbs. versus 4,700,000 lbs. in September, 4,000,000 lbs. in August, and 3,800,000 lbs. in July. Ten months 1917 production is 46,900,000 lbs. against full 1916, 36,000,000 lbs.

Utah—Reports preliminary production figures for October of 18,100,000 lbs., against 17,839,378 September and 18,796,021 in August. Net profits for year are estimated at $32,500,000, or $20 a share, before taxes. Earnings for first half of year $17,809,860, were about $11. Officials are in the dark as to war taxes, and incline to the belief that the matter will have to be determined by Treasury Department. Utah would still have something like $8,900,000, or the equivalent of $5.50 to meet war taxes after paying dividends $14.50 a share. They emphasize that a promiscuous discussion of war tax question tends to obscure the big equities created in the war period.

Mining Inquiries

Low Priced Coppers Which Should Be Sold

B. N. D., Fairview, W. Va.—Tennessee Copper & Chemical's position is undergoing steady improvement. The operating company, the Tennessee Copper Co., is increasing its output of sulphuric acid, which is being sold on a profitable basis, while its operations in other directions are proceeding satisfactorily.

The stock, however, pretty well discounts the favorable developments at the current price, especially since the trend of the market as a whole is downward. As a long pull purchase the stock should prove profitable, but we consider it very probable that it may be purchased at lower levels before it has any further substantial advance. Dividends are not near.

Of course the general market situation has changed a great deal since we last wrote you about this stock. Generally speaking, we are advising holders of non-dividend paying speculative securities to sell them and await a favorable opportunity to reinvest the money in high-grade dividend paying stocks of established merit.

Of course, North Butte is paying dividends, but the chances now favor a reduction rather than an increase, because of the heavy burden of taxation which the company must bear and the consideration that a conservative policy with regard to dividends is recognized as the best policy by all mining companies under war conditions, except, of course, those which are concerned more with stock-jobbing than with good management. We realize that in advising you to sell your holdings, we are advising you to take pretty large losses, but nevertheless we believe that in the long run it will work out to your advantage if you follow this recommendation.

Inspiration in Vulnerable Position

W. J. M., Bogota, N. J.—Inspiration Copper is in a vulnerable market position. The company will suffer very heavily from excess profits taxation and it is doubtful, under war conditions, whether it will be justified in maintaining a dividend rate of even $4 a share. We suggest that you sell the stock, for we believe that you will have the opportunity of reinvesting your money to much better advantage in some sounder security.

Two Curb Mining Issues Worth Holding

M. C. L., Waynesboro, Va.—Such issues as Howe Sound and Ray Hercules have good possibilities for a long pull. The former is an excellent mining stock investment and in years to come should show the holder a very handsome profit over present prices. Ray Hercules is more speculative as the company has not yet established itself as a producer of importance, but the indications are that it will be able to do so. If you are willing to assume the speculative risks, which exist in all undeveloped mining propositions, with the idea that you may realize very large profits eventually, we suggest that you hold the stock.

Utah and Anaconda Compared

C. T. H., McKeesport, Pa.—Utah Copper in 1916 earned $39,738,675 on a total capital investment of $62,484,658, or approximately 63½%. Consequently Utah will have to pay an excess profits tax on profits in excess of 33% on which excess the levy will be 60%.

The Magazine of Wall Street recently published a table of estimated earnings of the principal copper companies for 1918, after allowance for the fixed price of 23½c, and excess profits taxes, compiled by a reliable authority. This table showed that Anaconda could be expected to earn in 1918 $11.50 a share after taxes, or a fair margin over its current dividend rate of $8 annually. Utah's earnings were estimated at $11.40, or at a rate considerably below the current dividend rate of $14 annually. These indicated results for 1918, compare with actual earnings of $24.85 per share for Anaconda in 1916, and $24.46 per share for Utah. According to the foregoing estimates, Anaconda would hardly be justified in continuing its present dividend rate, while Utah would find it impossible. In the case of Anaconda, however, the strong position of the company must be given due weight.

If you continue to hold Utah, you may count on a much reduced interest return. Anaconda's dividend at the worst would probably not be cut as radically. We suggest that you sell your Utah and hold Anaconda.

Two Coppers

O. C. V., Portland, Ore.—Chile Copper will not be seriously affected by excess profits taxation according to our interpretation of the law. We regard this company, however, as being heavily over-capitalized and believe it will take a long time for it to grow up to its capitalization. On the basis of intrinsic value and prospects, the stock is selling high and we advise you to dispose of it.

Chino Copper is in a vulnerable market position and we expect it to go considerably lower. You should place a stop loss order and sell it on any rally. The company will be hard hit by excess profits taxation.

UNLISTED SECURITIES

Sears Roebuck—Growth and Prospects

In Last Decade Sales Have Tripled and Are Continuing to Gain—Net Income in 1916 Equal to Entire Tangible Assets of Ten Years Ago—Not Affected by Hard Times—Stock Dividends

By FREDERICK LEWIS

SEARS ROEBUCK stock makes a special appeal to investors because of the fact that few corporations have such a remarkable record of consistent growth. The accompanying graphic shows strikingly how great this growth has been and how the improvement from year to year has taken place without a break.

Since 1908 every year has shown a substantial increase in sales over the preceding year, and net income available for dividends during these eight years has also shown an increase each year without a break. This is truly an unusual record and a very strong confirmation of the claim that Sears Roebuck is one of those lucky concerns whose business is not seriously affected by hard times.

Properties

This company conducts the greatest mail order business in the country. Its main offices and factories are located in Chicago, but it has large branch offices in Seattle, Wash. and Dallas, Tex., as well as distributing warehouses in various parts of the country. It also owns a controlling interest in many manufacturing plants throughout the United States. A very considerable portion of its products are, therefore, sold direct from the factory to the consumer.

The policy of the company, however, has not been to make a large percentage profit on its sales, and this is the real secret of its great success. It gives big value. For every dollar of merchandise sold an average profit of 12 cents on the dollar is planned. It can be seen, therefore, that Sears, Roebuck & Co.'s customers get an unusually square deal, and as a result they usually come back.

Remarkable Growth

Investors who purchased the stock of this company when it was first available to the public certainly made one of the most lucrative investments in the industrial field. Table I shows the range in the prices of the stock since it was listed on the New York Stock Exchange. In the years 1906, 1907 and 1908 it was possible to purchase the stock at from $20 to $50 a share.

Suppose, for example, that 100 shares was acquired at $50 a share in 1908. This is how the investment would stand at the present time:

Cash Dividends 1909 3½%	$350.00
Cash Dividends 1910 7%	700.00
Stock Dividend of 33 1-3% in 1911, increasing holdings to 133 1-3 shares...	....
Cash dividends in 1911	865.00
Cash dividends in 1912	933.00
Cash dividends in 1913	933.00
Cash dividends in 1914	933.00
Stock dividend of 50% in 1915, increasing holdings to approximately 200 shares	....
Cash dividends in 1915	1,100.00
Cash dividends in 1916	1,400.00
Stock dividend in 1917 of 25%, increasing holdings to 250 shares	....
Cash dividends in 1917	1,750.00
Total dividends received up to date	$8,964.00
Present market value of 250 shares @ 138	$34,500.00
Total	$43,464.00

This total compares with an original investment of $5,000. In nine years' time, therefore, the investment has increased over 8½ times.

Conservative Policy

In spite of these liberal dividend payments the company has been conservative, as earnings have always been well in excess of disbursements to stockholders. In 1916, for example, 26.55 per cent was earned on the stock, as against only 7 per cent paid. In 1915 17.57 per cent was earned and 7 per cent paid. For the past ten years the average net income available for dividends has been $7,750,000, and the average dividend payments $2,700,000, so that in these years only a little over one-third of the company's surplus earnings have been paid out.

As a result of this conservative policy Sears Roebuck is in unusually strong financial condition. Table II illustrates how its

financial strength has grown in proportion to its great expansion in business. Although gross sales have more than doubled since 1911 the proportion of working capital to gross sales is larger now than it was at that time.

Tangible Assets

The company's present huge business was built up with an original relatively small investment. Net tangible assets a decade ago were not much more than the net earnings the company is now able to show in a single year. Even at the present time net tangible assets are only equal to about $86 a share. Good will and trade marks are carried at $30,000,000. If any company is justified at placing a large value on good will this company certainly is, as that is the very basis of its business.

Since the first of the year Sears Roebuck has been showing a steady improvement in earnings. October sales were the greatest in its history. For the ten months ended Oct. 31, 1917, sales totaled $139,531,416, an increase over the same period of last year of no less than $28,613,118 or 25.8 per cent. Prospects are that the remaining two months will show just as good a rate of increase, in which case gross for 1917 will cross $171,000,000.

It is anticipated that the margin of profit on this business will be approximately the same as in 1916. There will, of course, have to be deductions for war taxes, and this item will probably be somewhere between $2,000,000 and $3,000,000. Surplus available for dividends should be in the neighborhood of $17,000,000, after allowing $3,000,000 for war taxes, as compared with $16,000,000 in 1916. This is equal to $22.66 a share on the $75,000,000 common stock now outstanding, as compared with $26.55 a share earned on $60,000,000 common stock outstanding in 1916.

All things considered this should be regarded as a remarkably fine showing.

TABLE I—SEARS, ROEBUCK RANGE OF STOCKS

Year	Preferred High	Preferred Low	Common High	Common Low
1906	99⅞	92¼	63½	50
1907	94¼	90	57	20
1908	97⅞	86½	56	24
1909	121	101	169½	55
1910	121½	120	190	150
1911	122	119⅛	192	125½
1912	124¾	121	221	140
1913	124½	116	213½	154¾
1914	124¾	120	197½	170¼
1915	126	121⅜	209½	131¾
1916	127½	125	233	168¼
1917	128	116	238¼	133

Position of Stock

Sears Doebuck common stock at present prices of around 138 yields 5.8 per cent, which is a very low yield for an industrial stock in these times. There are several good reasons for this high investment rating. As pointed out in this article the company has had an uninterrupted growth for the past decade, through both good and bad times, and there would seem to be no good reason why this growth should not continue. The present 8 per cent dividend is being earned about three times over, after allowing for taxes, depreciation, etc. The strong financial condition of the company places it in a position that should enable it to be still more liberal to its stockholders. In other words, the future is likely to hold melons of stockholders in the shape of extra disbursements, which are very likely, as in the past, to take the shape of stock dividends.

Under present market conditions one hesitates to suggest the purchase of other than the very highest grade investment issues. Sears Roebuck, however, while semi-speculative, has so many strong points to recommend it to the investor that it is well worthy of consideration at present prices. Last May, which is after the April stock dividend was paid, the stock sold as high as

TABLE II—SEARS, ROEBUCK

Ratio of Working Capital to Gross Sales

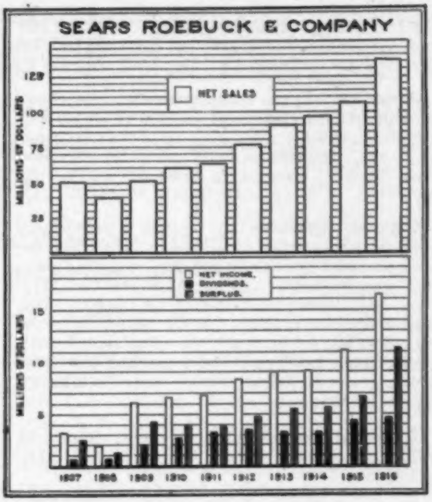
	Working Capital	Gross Sales	Ratio
1911	9,858,584	68,513,957	14.39
1912	8,838,494	83,164,021	10.63
1913	7,476,373	95,584,798	7.71
1914	12,588,632	101,121,654	12.45
1915	19,641,879	112,665,725	17.43
1916	$23,213,717	$146,838,511	15.81%

176¾, so that at present levels it is down nearly 40 points. It is quite possible that it may decline further, but, on the other hand, it may be scraping bottom now.

Purchase on a Scale

A good plan for the investor to pursue, who desires to become a stockholder, is to purchase, say, one-third of the amount of stock desired at present levels on a further decline of, say, 5 points, buy another third and pick up the last third if there is another recession of 5 points.

The 7 per cent. cumulative preferred stock, of which there is $8,000,000 outstanding, can be regarded as one of the highest grade industrial preferred stocks available to the public. The working capital of the company alone is nearly three times the par value of the preferred stock. As there are no bonds or other debts, except current accounts payable, this security has first claim on all the assets of the corporation.



Readers' Round Table

Editor, MAGAZINE OF WALL STREET:

I CAREFULLY studied Miss Tarbell's "Investment Creed of a Self-Supporting Woman." It was a fine article and will appeal to the thousands of investors who look to you for this kind of guidance. But after reading it over I felt like "a stranger without the gates," for, alas (please don't publish my name), I'm a speculator! What's the use of a pair trousers to a Gordon Highlander?

But it's a safe bet that a number of your subscribers belong to the Legion of the Lost, the rank and file of unsafe and unsane "speculators," who make up a sort of Foreign Legion in the hurly-burly of the financial machine called "Wall Street." To compensate them for this oversight on Miss Tarbell's part (and I sincerely hope she will rectify the omission some day), I respectfully offer my "Speculative Creed of a Self-Protecting Male."

1. Don't "play" the market. The market is not a plaything. It's a business. If you "play," you must pay.

2. Don't call gambling "speculation." Gambling is "taking a chance—minus." Speculation is chance—plus judgment, plus merit. Keep your eye fixed to the last word.

3. Don't be a hog when you mean to be a speculator. "Profit" is spelled the same way in four different languages. One way is enough for a speculator.

4. Don't hang on to your "cats and dogs" out of sympathy. Parting is sweet sorrow There's safety in divorce. Be safe.

5. Don't help the promoter who's "long" of promises and "short" of money—your money. Let him cover at somebody else's expense.

6. Don't worry over yesterday's folly, just remember it and its lesson. Be wise today.

7. Don't be overconfident, or too pessimistic. Stick to the hard road, never mind the "L" or the subway.

8. Don't plan on a paper profit. "Hooverize" on your pencils till you cash in.

9. Don't give the neighbors the idea that your presence is essential to Broadanwall. He's old established, and the ticker's a sticker. Take a vacation and see.

10. Don't go long of Ambition and short of Cash. Reverse your position and maintain it.

11. Don't trust the friend of an "insider" for "inside" dope. You're the "insider's" real friend. He'd soon be an "outsider" without you and me.

12. Don't ever take a flyer to make up for a bad break. One mistake is a hard luck story. Two mistakes is a bad habit.

13. Don't ever speculate without "stop" loss orders. Long or short, marry them. Do it right away.

Unlisted Security Notes

All Package Stores—Judge A. N. Hand has appointed receivers for this $25,000,000 corporation, operating 141 retail stores.

American Type Founders—Net earnings of $404,641 for the fiscal year is $5.98 on $4,000,000 common after pfd. dividends, against $4.98 the previous year. Profit and loss surplus $958,193, compares with $909,178 Aug. 31, 1916.

Carbon Steel—Five years previously showed net profits of $28,443. The 1917 report showed profits $2,234,000. In 1912 payroll was $350,000, against $1,813,000 in 1917. Now has orders on hand of $8,258,000. Agitation against management resulted in resolution to make quarterly earning statements. Some large holders favor a plan to list these securities on New York and Pittsburgh Stock Exchanges.

Charcoal Iron—Balance sheet, Sept. 30, 1917, shows assets and liabilities of $11,543,854.

Cramp & Sons—Confirms purchase of De La Vergne Machine Co.'s plant in New York, covering 5½ acres, for $1,500,000.

duPont deNemours—Pierre S. duPont, principal defendant in the duPont stock suit, has asked that bill in equity filed by plaintiffs be dismissed, thus disposing of the famous suit, involving $60,000,000, in favor of the defendants.

Ford Motor Co.—Judge Hosmer has handed down a decision compelling company to distribute $60,000,000 in accumulated dividends, as asked in the suit brought by John F. Dodge. Stated that Henry Ford planm : to use this to build a new type of blast furnace for tractors at River Rouge.

Gillette Razor—With announcement of initial quarterly dividend, $1.75, on new capitalization, 190,000 shares; net earnings from Sept. 20 to Nov. 1 are given as $666,970.

Hendee Manufacturing—After pfd. dividends earned a balance for its $10,000,000 common of $385,699, or 3.8% in 1917, against $49,272, less than ½% a year ago. An average balance of only 2.2% in the last three years upon the common was earned.

Hercules Powder—Balance after pfd. dividends of $3,949,436 for 9 months is $55.24 a share, compares with $179.47 for comparative period of 1916. Balance sheet, Sept. 30, 1917, shows profit and loss surplus $14,471,872, compared with $15,292,963 Sept. 30 1916.

International Motor—Reports an order from Government for trucks valued at $4,000,000, of new "A-C" Mack model, from 5½ to 7½ tons.

Mercantile Stores—Report to noteholders under the Claflin reorganization announces that additional payment of $1,065,000 will be made, so that by end of 1917 there will have been paid $16,715,093 to former Claflin creditors.

P. & O. Navigation—Closed a deal for buying 27 large freight steamships from Edward Hain & Son Co., or 108,000 gross tons of shipping. The transaction was by purchase of shares involving £4,000,000.

Savage Arms—Third quarter operating profits were $845,829, and balance for the junior stock after $250,000 deduction for taxes and reserves was $564,486, $6.39 a share. Company is making important extensions to its plants. Although officials refuse to discuss orders for munitions for Government, it probably has contracts ensuring capacity operations until close of 1918.

Swift Canadian—Filed notice at Ottawa, Can., of increase in capital stock from $3,000,000 to $5,000,000, consisting of 20,000 shares of $100.

Triangle Film—Has acquired all stock of Keystone Co. and majority of Majestic and Reliance. Capitalization now is $5,000,075.

Underwood Typewriter — Reports net profits for eight months 1917 $1,900,000, a gain of 40% over the same period 1916. On this basis earnings show dividend balance of about $3,000,000, or $30 for the common after deducting 7% on pfd. Underwood seems to have been helped by the war. American demand for typewriters has greatly expanded. Sales are reported breaking all records.

Union Carbide & Carbon—Has cast aside any thought of realizing net profits during final quarter 1917. A substantial loss during this period is predicted. Five out of six refineries are shut down for lack of raw sugar. The company is in the grip of an international sugar situation which cannot be ameliorated until new Cuban crop comes along. Fortunately company had a prosperous year to Oct. 1 and losses of final quarter have a big balance of net in which to be absorbed.

Union Mills, Inc.—It is stated that Kidder, Peabody & Co. offered at $50 per share 20,000 shares of common stock, without par value, of this New York company, successor to the Massachusetts company of similar name.

TOPICS FOR TRADERS

Tidal Swings of the Stock Market

Part V—Relation Between the Market and Business Conditions—Different Ways of Measuring Changes in Business Activity—Practical Conclusions

By SCRIBNER BROWNE

(Author of "How to Read the Financial Page," Etc.)

THE statement that there must be a connection between the broad changes in business conditions and the tidal swings of the stock market is so obvious as hardly to require demonstration. Stock dividends are based on the earnings of the corporations issuing the stocks, and those earnings change with changes in the activity of business. Hence it is clear that the prices of stocks are in part dependent on business prosperity or depression.

The important question is, What is the nature of this relationship between stocks and business? Which factor precedes the other, or do they move in unison? If, as we may reasonably expect, we find some degree of regularity in their fluctuations, is the degree of regularity great enough to afford us any practical assistance in judging the future of the stock market or the outlook for business?

Measuring Business Activity

Any reliable record of the quantity of business handled, either in all lines or in any great, fundamental branch of activity, will of course show to some extent changes in business conditions.

The only record that would reflect business activity exactly would be a record of all goods produced and all goods exchanged, expressed in quantities—that is, in tons, bushels, dozens, and so on. No such statistical record is to be had, and it is not at all probable that anything of that kind will ever be available. The labor of keeping track of such statistics and of collecting and compiling the figures would be prohibitive.

It follows that we cannot have a complete and accurate record of business conditions, What we have to do is to look over the various figures available and select those which come the nearest to expressing general business activity. There are at least four classes of figures which may be used for this purpose, All have their defects and their advantages. I will discuss them as briefly as possible.

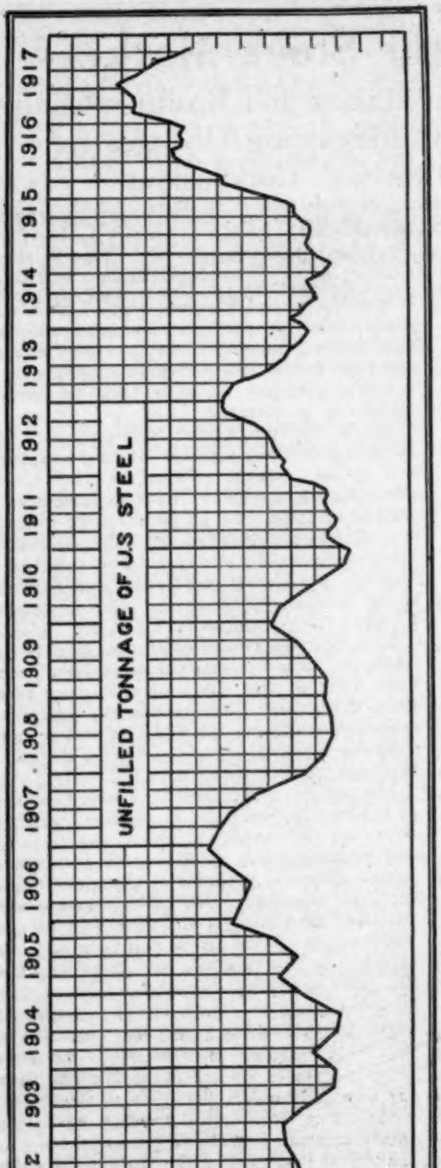
I. Bank Clearings.—For many years a fairly complete record has been kept of the total money value of checks passing through the bank clearing houses. There have been minor variations in the figures included, but not sufficient to interfere seriously with the broad changes to be observed.

This is the record most commonly used in discussing business activity. It has, however, two serious defects. First, the very large sales of securites, on the stock exchanges and outside of them, are all paid for by checks and therefore appear in the bank clearings. Many of these sales are speculative and therefore may not closely correspond with changes in the actual production and sales of goods intended for consumption.

This difficulty is often remedied in part by taking the bank clearings outside of New York City—since in that city somewhat more than half of the bank clearings usually represent sales of securities. But there is still a considerable speculative element left in the bank clearings outside New York.

The second great defect in bank clearings as a business record lies in the fact that they show, not the *quantity* of goods manufactured and exchanged, but the *money value* of those goods. Hence if the price of any article rises, the bank clearings based on that article will rise also, even without any change in the actual quantity of that article that is being made or sold. So in a time of generally rising prices the bank clearings may show a great gain without any gain at all in the quantity of goods being handled. At the time this is written, the general level of prices has risen almost 100 per cent. in a little over three years. Under such conditions it is evident that bank clearings will afford a very poor measure of business activity.

It might be thought that this difficulty could be avoided by dividing the bank clearings by an index figure representing the general price level, but actual experiment shows that this plan is not a success. The trouble is that we have no way of knowing what part of the bank clearings is based on things which have risen or fallen in price.


UNFILLED TONNAGE OF U.S STEEL
Millions of Tons.
1902
1903
1904
1905
1906
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1908
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1911
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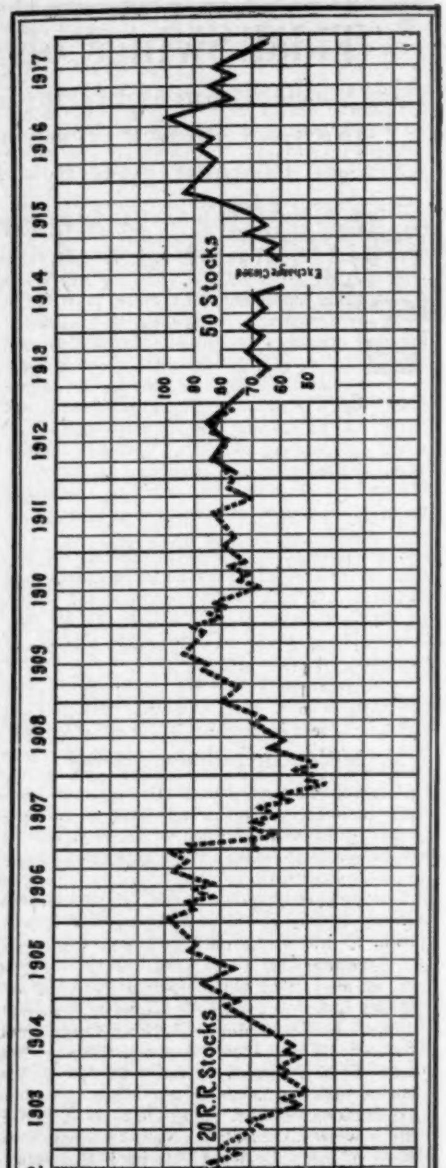
50 Stocks
20 R.R. Stocks
Exchange Closed
1902
1903
1904
1905
1906
1907
1908
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1911
1912
1913
1914
1915
1916
1917

II. Railroad Gross Earnings.—In a rough way, the gross earnings of all the railroads in the country change with changes in business. Variations in mileage operated are not enough to vitiate the results. Changes in rates, however, do interfere seriously. A 10 per cent increase in rates would of course cause a 10 per cent gain in gross earnings without any change in the tonnage hauled. If we had figures showing the number of *tons* of freight transported monthly, that trouble would be eliminated, but such figures are not now available.

There is also a very wide "seasonal variation" in gross earnings, since the roads haul much more business in the fall than in the winter and spring. This variation can be allowed for by computations based on past years, but the results are rather unsatisfactory.

A still greater difficulty is that a complete tabulation of gross earnings is not available until two months or more after the business was actually hauled. This keeps the statistician constantly behind time.

III. Commodity Prices.—Rising prices stimulate business and falling prices depress it. Depending on that principle, we could, before the war, get a very good idea of business activity by keeping a record of the average level of commodity prices. Several index numbers of these prices are made up monthly, Bradstreet's and Dun's being perhaps as good as any and promptly available.

But this principle holds good only under reasonably normal conditions. When, as at present, the rise in prices is in part due to a great inflation of credit, resulting largely from changes in our bank laws, or when it is due to actual famine in various lines, so that a further rise in price fails to cause any perceptible increase in production, then we can no longer conclude that higher prices mean more active business. They may in fact check business by causing wide-spread apprehension.

IV. Unfilled Orders.—If we had a complete record of the unfilled orders (measured in quantities) of all the business concerns in the country, that would give us a better and earlier index to commercial activity than anything else. The orders come first. Production follows. Next comes transportation. Still later, in most cases, payment for the goods. Hence orders precede all such figures as iron production, railroad gross earnings (even if those were obtainable as soon as earned, instead of long afterward), or bank clearings.

Unfortunately, most companies are very shy about giving out their unfilled orders. The only current record we have that would be available for this purpose is the unfilled tonnage statement of the U. S. Steel Corporation, which is given out regularly on the 10th of each month for the last day of the preceding month.

True, this is the statement of a single corporation, which may be affected by special conditions; but the Steel company is such a predominating factor in the steel and iron business of the United States, and the steel business is such an important index to activity in all lines of construction, that its statement of unfilled orders is entitled to more weight than might at first be imagined.

A large part of the steel manufactured is always used for new construction, and new construction is the best index of *changes* in business conditions. Consumption of goods in other ways, outside of new construction, varies somewhat, but varies far less than the quantities of material used in new construction. In fact, in the United States at any rate, large new construction is necessary in order to create and maintain what we call "prosperity."

In the graph herewith, therefore, I have used a line showing U. S. Steel's unfilled orders from month to month. Under present conditions, at least, I believe it is a better gauge of business activity than anything else that is available.

Two points must be borne in mind in regard to these unfilled orders. First, previous to 1908 "intercompany" orders were included in this statement, so that the total as shown was relatively greater than in subsequent years. That is the principal reason why unfilled orders for 1912, for example, appear to have been less than for 1906. But this change did not seriously interfere with the broad upward and downward swings in the unfilled tonnage.

Second, the decline in unfilled tonnage in 1917 has been partly due to the fact that the company has been holding back its capacity in order to be in a position to handle government war orders promptly. But even without this influence there would, I believe, have been some falling off in orders due to the absurd level to which steel prices had been forced.

Another point to be noted is that down to June 30, 1910, these orders were made public quarterly, instead of monthly. The result is that changes do not appear on the graph as accurately before that date as after it.

The fact that unfilled tonnage has a normally increasing tendency over a considerable period of years, while the stock market does not have any such rising tendency, is perhaps too obvious to require mention. Our comparisons must be made, not between the *levels* of the two lines at different times, but between the upward and downward tidal swings, regardless of the extent of the swing.

Business Follows Stocks

Without going over the graph from year to year, which the reader can do as well as I could, it is evident that in a broad way this unfilled tonnage line follows the stock market and that it is usually behindhand at the turns by a period of three to six months.

On page 149 of our Nov. 10th issue appeared a small graph showing unfilled tonnage and the price of Steel common, which shows that the price of that stock follows unfilled tonnage at the upper turns of the tidal swings much more closely than does the average of 50 stocks which is given in the present graph. At the bottom turns, however, the price of Steel stock anticipates the changes in unfilled tonnage by about the same interval as does the price of the average of 50 stocks.

It is usually estimated that the tidal swings of the stock market precede changes in business by about six months. In view of the fact that unfilled orders are naturally and necessarily one of the first features of business conditions to feel a coming change, this graph may be said to back up that conclusion.

We see plainly that the stock market forecasts business conditions. *In fact, no business man can afford to ignore the tidal swings of the market. They give him "advance information" as to what he may expect in his business, which is more reliable than any he can obtain through ordinary trade channels.*

For the investor, the more practical question is, Do unfilled orders help in judging the stock market? Since they are usually three or more months behindhand, they give only a limited amount of help. Still, since a genuine tidal swing generally lasts two years on the bull side and one year or more on the bear side, even an indication which is three months behind is not to be entirely ignored. In 1917, for example, or in 1909, many investors would have saved a good deal of money if they had sold out when the unfilled orders turned, instead of holding their stocks until the bear market had run its course.

(The next article will take up the influence of psychology on the tidal swings of the market.)

FROM AN OLD AND VALUED SUBSCRIBER

1121 Bedford Avenue, Brooklyn, Nov. 10, 1917

Magazine of Wall Street, 42 Broadway, N. Y. City.

Gentlemen:—

I have read with great interest the contents of your Decennial Number. I well recall the birth of the old Ticker Magazine and think I was one of the original subscribers, since which time I have taken your Magazine on and off, purchasing it at the Subway stations. Recently have again entered myself as a subscriber. I have also read a number of your books—"Studies in Tape Reading," "You and Your Broker," "Financial Statements Made Plain," "Fourteen Methods of Operating in the Stock Market."

As an old Wall Street employee—bookkeeper with ———, cashier and office manager with ———, and also as an accountant on the staffs of several firms of certified public accountants—I have analytically studied the pages of all that you have written and have not found you wanting in any of the departments of which I had a thorough knowledge. In other directions I have gained much of value in the perusal of the Magazine.

It was also my pleasure, at one time, when I was the New York manager of the Commercial Telegram Bureau of London (an organization similar to the Associated Press of this country, with this exception, that it deals only in financial and commercial news) to contribute an article to the pages of the old Ticker, on the fallacy of considering newspaper financial writers as prophets on stock market movements. I think I brought out the fact that newspaper writers are usually greeted in brokers' offices, with the query, "What do you know?" and I dwelt at length on the fact that if the writers knew anything about the future of market movements, they would not be working at so much per week.

All this to demonstrate that I am an old friend and well-wisher of The Ticker and The Magazine of Wall Street, and one who is watching its continual growth with the greatest interest.

Thanking you for the many courtesies extended to me in the past, I am,

Very truly yours,

J. G. BURGTORF.

The Insider's Viewpoint

Future Considerations, Not Present Facts, Make Prices—Short Selling a Small Factor in Recent Decline

By THOS. L. SEXSMITH

WALL STREET'S memory is notoriously short. Booms of yesterday are readily forgotten in the gloom of today's depression. It is this same short-sightedness and volatility which is largely responsible for many unjust attacks on the Stock Exchange and its customary practices.

The trouble with Wall Street and the public interested in its doings is that few people in it or of it really understand the true functions of an open market for securities. All know that the Stock Exchange is an institution which endeavors to provide ideal facilities for trading in stocks and bonds. It may possibly fall short of providing ideal trading conditions, and the more it is influenced by uninformed outside opinion in the placing of restrictions on trading which can but have the effect of lessening the opportunities for free trading, the less ideal and more unsatisfactory must be the facilities provided.

Wall Street's Real Function

While all are more or less acquainted with the physical functions of the Stock Exchange, few, as before stated, understand its real function in the economic world. It is the business of Wall Street to discount the future and to translate its opinions into actual concrete prices for securities.

The open market is a place where a constant appraisal of current security values is carried on. But since foresightedness is the most necessary qualification for success in investment or speculation, it is certain that current prices are of very much less relative importance than a knowledge of what change in values, if any, the next six months or a year may bring forth.

It is in this connection that I wish to impress upon the reader an important fact which all should know and understand. This is that the real, essential difference in the methods of the so-called insider in Wall Street and those of the average investor and speculator is that the former bases his commitments upon a consideration of *future* conditions calculated to affect security values, while the latter gives almost final consideration to *prevailing* conditions.

The Insider's Viewpoint

The real insider is not very much concerned with the last month's statement of earnings in this or that corporation; he is interested vitally, however, in the prospect for materially larger or smaller earnings several months ahead. He does not rush in to buy a stock because a news agency or newspaper prints a highly favorable statement which originates with a corporation in the stock of which active pools are constantly operating. But the publication of such statements are almost always followed by a reaching for the stock by many little outsiders who attach an undue importance to past or present conditions, and who have no knowledge or data on conditions which may develop later.

Investors and speculators, if they wish to become successful, must learn to think ahead. Few expect to make large profits over night; and any reasonable investor or speculator is willing to wait months for his profit, if the expected percentage on the amount of money invested is really worth while.

That being the case, if one were on the point of making a commitment in U. S. Steel, for instance, he should be more interested in the possibilities for earnings, tonnage and dividends next May rather than those of the present time. Current conditions are chiefly of importance in so far as they show a trend towards either betterment or recession.

Another point to be considered is the length of time during which the prevailing trend in earnings, tonnage and the market fluctuations in the price of the corporation's stock has continued. An up trend, covering two years or more, which finally shows a tendency to hesitate, should be looked upon with suspicion. Hesitancy, after so long a time in one direction, is a sign of a coming turn.

Selling of Steel Last Summer

During last June and July, U. S. Steel, common, was selling between 125 and 135, and earnings and unfilled tonnage figures, which had just before registered peaks for all time, were practically at their tops. Daily volume of sales in Steel, common, was running close to the half-million mark on average, and everyone one met was bullish on Steel.

But it is hardly necessary to remind the reader that the insider who had his mind fixed on future conditions and not on present factors, was not buying Steel at its high prices, but rather was selling generously to those who were influenced almost solely by what they

read and heard about Steel at the time.

What took place last summer in Steel takes place in a minor way in other stocks from time to time. Outsiders, like you and me, must train ourselves to use the insider's viewpoint and to look ahead into the future. We must learn the important lesson that *past earnings do not make future prices.*

If the public should once succeed in grasping the significance of these vital facts connected with the making of prices, there would be much less heard, at times of great depression in stock values like the present, about the wickedness of Wall Street and the destructiveness of short selling.

The Graphic Tells the Truth

The best possible evidence that short selling is not responsible for the decline in stocks which has taken place during the present year is to be found in the study of the graphic published herewith.

The top line on the graphic represents the price movement of the familiar 50 stock averages since 1914; the line below, the important swings of 10 investment bonds for the same period.

No one will claim that there is or ever was a short interest in bonds. Ofttimes there is an important short interest in stocks, and the larger that interest becomes the nearer the market approaches an important rally. All but the merest novice in the Street knows this to be a fact.

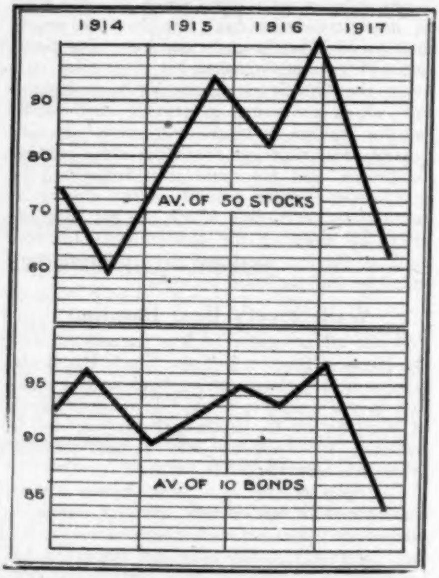
Yet despite the lack of a short interest in high-grade bonds and the presence of it in stocks, the percentage of decline in bonds has been far greater than in stocks for the period of the bear movement to date. Stocks have not as yet lost all the average gain made during 1915 and 1916, while bonds have lost all their gain and as much more besides.

The truth of the matter is that all classes of securities, good and bad, have declined because of world-wide economic changes which have taken place, and which are largely the result of a general readjustment to the unparalleled conditions created by the war. Because of the presence in them of many shorts, some comparatively poor stocks have held up in the declining market better than some of the more solid investment issues which never attract any amount of short selling.

Stocks in Weak Hands After Boom

The decline in the market, now making itself severely felt by holders of securities, was in part, at least, foreseen by those wise and important market interests who supplied the stocks which the public so eagerly purchased during the boom times of 1915 and 1916.

For a period of about six weeks during the fall months of 1916, the fifty stock averages worked up and down between the figures 96 and 101, with a total turnover of approximately 60,000,000 shares of stocks for the period, or an average daily turnover of about 1,500,000 shares. Finally the market broke out of this narrow price range, and started on a downward journey, which, so far as may now be seen, has not as yet reached an end.



People strong financially sold much stock to relatively weaker buyers in the excitement of the boom period. When the economic fabric began to show signs of yielding, stocks began to break under their own weight. Now, as the decline progresses, the weaker owners are gradually forced to let go as their margins become exhausted or other demands for funds make sacrifice of their stock holdings necessary. Finally stocks will again rest for the most part in hands strong enough to carry them through any eventuality. When that time arrives the danger of a further important price decline will be negligible.

Technical and Miscellaneous Inquiries

Personal Liability

Q.—There is but one point you did not cover—no doubt, I did not mention it in my letter of inquiry—and that is as to whether any *personal* liability attaches to stockholders by reason of their owning stock in that company. In Minnesota, mining corporations' stockholders are exempt from liability of this sort, and I would like to know the status of such stockholders in Delaware, in which state, I understand, the Consolidated company was formed. What is *personal* liability of stockholders of American Can, Studebaker and National Enameling.

Ans.—No personal liability attaches to stockholders of Delaware corporations except holders of bank, trust company or express stocks. No personal liability attaches to stockholders of New Jersey corporations, and as the National Enameling and Stamping Company, Studebaker Corporation and American Can Company are incorporated in the State of New Jersey, stockholders are exempt from personal liability.

Defining Common Stock

Q.—Will you be good enough to send me a complete and *concise* definition of *common* stock?

Ans.—Common stock is that part of the capitalization of a company upon which dividends may be paid only after satisfying the requirements of the floating debt, bonds, and "preferred stock," if any. It represents the speculative ownership in a corporation as a rule. At times, however, the earnings of the companies are so large that the "common stock" receives much larger dividends than the preferred and sells at much higher prices.

When the earnings of a company very largely increase or there are indications of some profitable "deal," the "common stock" is apt to reflect it by a rise in price greater than the other securities of the same company.

In some corporations, after the "common stock" has received a certain rate of dividend, there is a division of all other earnings between the preferred and "common stocks," or some other similar plan is adopted. Thus, a "common stock" is not necessarily entitled to all earnings after payment of the preferred dividend.

There are many "common stocks" paying no dividends, which sell at what appear to be unreasonably high prices. This, among other reasons, is because it is expected that dividends will sooner or later be paid, or that the stock may some time be bought for the purpose of control, and consequently is valuable on account of its voting power.

Although "common stocks" usually carry with them voting power, yet there are examples of corporations where the control goes to the preferred holders, although the preferred stock may represent a total par value of far less than the common.

A "common stock' which has a "cumulative" preferred stock preceding it, is not so valuable from a dividend standpoint as if the preferred is "non-cumulative" (see the subjects in quotations), for unless the earnings of a company are so large as to make dividends upon both classes of stock almost assured, the "cumulative" feature may, at some future time, act to the detriment of the common.

When Dividends Are Paid

Q.—I purchased through a broker and paid for on October 10 some shares in the Shattuck-Arizona Mining Company. I notice they paid a regular and extra dividend on October 20. Am I not entitled to the dividend on this stock?

Ans.—You are not entitled to the Shattuck-Arizona dividend paid on October 20 because you did not buy the stock until October 10, and you were not therefore entered on the company's books as a holder of record the date the books closed, namely, September 29. In paying a dividend, a company goes by its list of stockholders of record on a certain data, which date is usually announced at the time the dividend is declared. Those having stocks transferred to their name after that date, do not receive the dividends though they own the stock at the time the dividend is paid.

Stop Orders

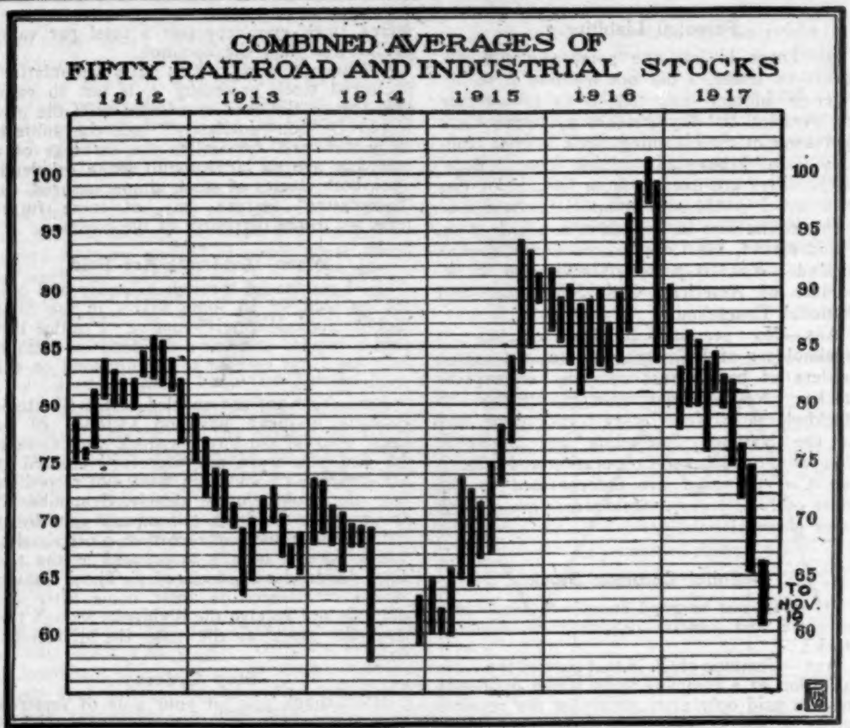
Q.—I thank you for your note of yesterday in which you say you consider U. S. Steel *common* a sale on any rallies. What would you consider a probable rally and at what price would you name a stop loss order?

Ans.—The possible extent of any further rally in the railroad stocks or in U. S. Steel is difficult to judge and will depend on day to day developments. We can only advise you in a general way regarding the placing of stops and the selling of your holdings at this time. We might say, however, that if a rally continues and if evidences appear of its going further, you may adopt the precautionary measure of moving up your stop loss orders. In this connection, we suggest that you read the letter in the Readers' Round Table on page 195 of the November 10 issue of the MAGAZINE.

Dividends on Outright Purchases

In answering the inquiry concerning dividends on outright purchases in the last issue, an erroneous statement was made. As the Northern Pacific stock referred to was purchased before the dividend came off, the purchaser was entitled to this dividend whether he bought the stock on margin or for investment. In this case, confusion of the date of the certificate, and the date of purchase brought about our mistaken conclusion.

Market Averages



MARKET STATISTICS

		Dow Jones Avgs. 10 Bonds	20 Inds.	20 Rails	50 stocks High	Low	Total Sales	Breadth (No. issues)
Monday,	Nov. 5..	84.40	69.93	75.35	63.91	61.25	1,131,300	266
Tuesday,	" 6..	Stock	Exchange	Closed	(Election	Day)		
Wednesday,	" 7..	84.40	71.54	76.69	64.15	61.29	975,400	249
Thursday	" 8..	84.07	68.58	74.54	64.11	60.42	1,304,800	257
Friday,	" 9..	83.95	69.36	75.88	62.59	61.07	777,300	225
Saturday,	" 10..	83.82	70.30	76.58	63.00	62.10	327,900	173
Monday,	" 12..	83.95	70.65	76.72	64.04	62.96	588,900	180
Tuesday,	" 13..	84.00	70.35	76.48	63.47	62.47	478,800	184
Wednesday,	" 14..	83.50	69.15	75.60	62.73	61.64	580,200	210
Thursday,	" 15..	83.33	69.10	75.70	62.43	61.69	353,100	212
Friday,	" 16..	83.09	69.75	75.01	62.48	61.74	268,400	176
Saturday,	" 17..	83.11	70.41	75.34	62.94	62.43	228,300	140

Note.—The 10 bonds added to the above table are high-grade R. R. issues. The high point of this average since the war has been 96.71, Jan. 18, 1917; the low, 83.09, Nov. 16.

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

APPLIED MOTION STUDY; THE EFFICIENT METHOD TO INDUSTRIAL PREPAREDNESS.

By Frank B. Gilbreth, Member Franklin Institute; American Society of Mechanical Engineers; Society for the Promotion of Engineering Education, and L. M. Gilbreth, Ph.D. Bound in cloth, 219 pages, including index and illustrations. (Price $1.62 Postpaid.)

THIS book treats of Applied Motion Study as an aid to efficiency in industrial occupations. It considers the field where motion study has been and can be applied, methods by which it is applied, and the effects produced. It shows the results of actual experience in eliminating waste and points out the savings which may reasonably be expected.

The first chapter discusses the scientific management of industry. The next six chapters take up the actual application of motion study in different industries, the methods and instruments used, and the results obtained. Chapters eight and nine take up the practice of scientific management and what the author calls the "Three Position Plan of Promotion." The final chapter contains a study of the effect upon the workers themselves.

The book is written in a clear and interesting style so that it is easily understood by the ordinary reader—and everyone needs to know something about the principles of this new and improved method of insuring industrial efficiency.

THE LIFE OF ABRAHAM LINCOLN, DRAWN FROM ORIGINAL SOURCES.

By Ida M. Tarbell. In two volumes, 426 and 474 pages, including index and appendix. Bound in cloth, with many illustrations. (Price $5.30, Postpaid.)

THIS famous history is so well known as not to require extended comment. It may be considered the standard history of Lincoln. It first appeared serially in McClure's Magazine, between 1895 and 1899. The present new edition contains additional matter, and has been carefully revised.

A valuable feature is the appendix. It contains many letters, telegrams, and pictures of Lincoln which do not appear in any other publication or in any collection of his writings.

These volumes start with the origin of the Lincoln family, and cover in a graphic and interesting manner his entire life and the important public events connected with it down to his tragic death and funeral. The many original documents presented add to the interest and value of the work.

There are few histories that are really "drawn from original sources"—so few that one which is prepared in that way becomes a treasured possession. Miss Tarbell has made a human document of her history, and there are few books which can be added to one's library that will afford more knowledge, interest and inspiration.

The life of Lincoln grows in importance and significance with the passage of years and these revised volumes shed a light on his character and the events of his time which can be obtained from no other source.

THE WORLD'S COTTON CROP

By John A. Todd. (Price $4.40, Postpaid.)

THIS is perhaps the most complete and satisfactory study of cotton growing and marketing ever presented.

Conditions in every cotton growing country are described in great detail. Climate, rainfall and water-supply, varieties grown, their merits and disadvantages, projects for improvement of strain, methods of cultivation, costs of production and handling, range of prices and production—every point of interest is covered.

A map of each country is given, with the cotton growing districts especially shaded. The book is profusely illustrated. Elaborate statistical tables of production, consumption of prices are a feature of peculiar value to the forecaster of prices and market conditions. The twenty chapters contain an immense amount of valuable information. Much of it is not accessible elsewhere.

Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

NEW YORK CENTRAL RAILROAD Two-Year 5% Collateral Trust Gold Notes, due September 15, 1919. New issue of $15,000,000. These notes are secured by the deposit with Guaranty Trust Company of New York, trustee under the trust agreement dated September 15, 1917, of $20,000,000 par value New York Central Railroad Refunding and Improvement Mortgage 4½% Bonds, Series "A." Offered at 97¼ and accrued interest yielding about 6½%, by J. P. Morgan & Co.

CITY OF AKRON, OHIO, $500,000 5% Coupon School Bonds. Dated October 1, 1917. Due serially. Interest payable April 1 and October 1. Denomination $1,000. Legal investment for savings banks and trust funds in the States of Maine, Vermont, New Hampshire and Rhode Island. Acceptable as security for United States Postal Savings Deposits at 90% of par value and eligible as an investment for insurance companies. Price to yield 4.50%. Offered by Hornblower & Weeks, 42 Broadway, New York.

CITY OF ZANESVILLE, OHIO, $100,000 5% City Hall and Market Bonds. Dated September 1, 1917. Due serially. Interest payable March 1 and September 1. Denomination $1,000. Legal investment for savings banks and trust funds in the States of Connecticut, New Hampshire, Vermont and Maine. Acceptable as security for United States Postal Savings Deposits at 80% of par value and eligible as an investment for insurance companies. Price to yield 4.55%. Offered by Hornblower & Weeks, 42 Broadway, New York.

CITY OF CINCINNATI, OHIO, $122,000 4¾% Bonds. Dated September 1, 1917. Coupon Bonds, denomination $500. Due September 1, 1947. Exempt from Federal Income Tax. Legal for New York, Connecticut, Maine, New Hampshire and Vermont savings banks. Price to net 4.50%. Acceptable as security for Postal Savings Bank deposits at the rate of 90% of par value. Offered by Farson, Son & Co., New York, 115 Broadway; Chicago, 39 South La Salle street.

SOUTHERN CITIES UTILITIES COMPANY (a Delaware Corporation), $100,000 7% Cumulative Preferred Stock. Preferred as to assets and dividends. Par value $100. Redeemable at the option of the company at 110 per cent of par and accrued interest from September 1, 1922, on thirty days' notice. Dividends payable monthly. Price, par with 50% bonus in common stock, to yield 7%. Offered by Whitstock & Co., 120 Broadway, New York, and 523 Industrial Trust Building, Providence, R. I.

WALWORTH MANUFACTURING COMPANY, $4,000,000 Common Stock. Par value, $20. The total profits for the year ended December 31, 1916, were $1,473,949. The following is a summary of a letter from Howard Coonley, President, which appears on the following pages: 1—The Walworth Manufacturing Company was incorporated in Massachusetts in 1872 as successor to a business established in 1842. 2—The business begun 75 years ago has shown uninterrupted growth. 3—The products manufactured comprise malleable, cast iron and brass valves, pipe fittings for steam, water and gas lines, also power plant material, Stillson wrenches, special unions and pipe tools, for all of which there is a general demand. 4—Through the acquisition of the plant at Kewanee, Illinois, the Company becomes the second largest producer of pipe fittings and supplies in the country. 5—The total profits for the year 1916 were $1,473,949, which applied to the present capital structure would have amounted, after deduction of prior charges, to 27% on the common stock. 6—The profits for the year 1917 before allowance for excess profit taxes are estimated at upwards of $2,000,000, which, after deduction of prior charges, are equivalent to 50% on the common stock. 7—The normal earnings are estimated at $1,000,000 per year, which, after deduction of prior charges, are equal to 20% on the common stock. 8—The net tangible assets equal 130% of the common stock. Price on application to Hayden, Stone & Co., New York.

PROVINCE OF ONTARIO $1,000,000 4% Coupon Gold Bonds. Dated March 1, 1916. Due March 1, 1926. Principal and half-yearly interest (March 1 and September 1), payable in gold at the Provincial Treasurer's Office, Toronto, or at the agency of the Bank of Montreal, New York, and London, England. Denomination, $1,000. Principal may be registered. These bonds and the interest thereon are a direct obligation of the Province of Ontario and are a charge upon the Consolidated Revenue Fund of the Province. Price, 87.44 and interest, yielding 5.90%. Offered by A. E. Ames & Co., 74 Broadway, New York.

CONNECTICUT BRASS & MANUFACTURING CORPORATION, Two-Year 6% Convertible Gold Notes. Issue authorized $600,000. Outstanding $600,000. Denomination and form, $100, $500, and $1,000. Coupon notes. Registerable as to principal. Dated Novvember 1, 1917. Due November 1, 1919. Interest payable May 1 and November 1 at Equitable Trust Company, New York, trustee. Callable on 60 days' notice at 102 on May 1, 1918, 101½ on November 1, 1918, and 101 on May 1, 1919. Convertible at any time up to May 1, 1919, into an equal amount in par value of the 8% cumulative first preferred stock of the company. This issue of first preferred 8% stock is limited to $600,000 and can only be used for the conversion of the notes. Tax refunded in Pennsylvania. Price 97¾ and interest to yield 7½%. Offered by Liggett & Drexel, 61 Broadway, New York.